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AGRICULTURAL RELIEF

HEARING

BEFORE

U.S. Congress. House

THE COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

SEVENTY-FIRST CONGRESS

FIRST SESSION

Serial A—Part 1

MARCH 27, 1929

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1929

43414

COMMITTEE ON AGRICULTURE

House of Representatives

SEVENTY-FIRST CONGRESS, FIRST SESSION

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WILLIAM L. NELSON, Missouri.

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AGRICULTURAL RELIEF

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Wednesday, March 27, 1929.

The committee this day met, Hon. Gilbert N. Haugen (chairman) presiding.

The CHAIRMAN. The committee will come to order.

Pursuant to legislation passed by the House at the last session of Congress, the committee has met this morning to consider farm relief legislation. What is the pleasure of the committee?

Mr. KETCHAM. May we have a roll call, Mr. Chairman?

The CHAIRMAN. The clerk will call the roll.

(The clerk called the roll, and the following members were present:)

Messrs. Haugen (chairman), Purnell, Williams, Ketcham, Hall, Fort, Menges, Andresen, Adkins, Clarke, Hope, Brigham, Houston, Aswell, Kincheloe, Jones, Fulmer, Doyle, Larsen, and Nelson.

Mr. PURNELL. Mr. Chairman, before we begin the hearings, I want to offer a resolution, or a motion embodying some suggestions for the procedure of the committee during the hearings. I offer the following motion, which I will read:

I move that the following be adopted as the rules governing the farm relief hearings to be held by the Committee on Agriculture beginning March 27, 1929:

(1) The committee shall meet at 10 a. m. and sit until 12.30 p. m. After lunch the committee shall resume its sittings at 1.30 p. m. and sit until 5.30 p. m.

(2) The chairman shall appoint a committee of three members to serve as a program or schedule committee. It shall be the duty of this committee to hear requests of those who desire to be heard and fix the hour and day as well as determine the time to be allotted.

Mr. KINCHELOE. Are we going to hear everybody who asks to be heard?

Mr. PURNELL. Provided they can show the schedule committee that they have anything worth while to offer. That is for the schedule committee to determine. The committee will serve as a sort of clearing house for the requests that are made.

Mr. KINCHELOE. Are we going to hear them again, even though we have heard them off and on for the last 10 years?

Mr. PURNELL. We may. Personally, I think that will be for the schedule committee to determine.

My motion continues:

(3) Accredited representatives of organization desiring to be heard shall arrange with the schedule committee for time. All others desiring to be heard in an individual capacity shall make request for time of the schedule committee and shall be allotted not to exceed 30 minutes.

(4) Witnesses shall confine their remarks to suggestions of remedy rather than a detail of conditions.

(5) Witnesses shall make their statements without interruption and may file briefs in addition to their oral statements if they so desire.

(6) At the conclusion of the statement of a witness, the clerk of the committee shall call the roll of the committee and each member shall be allowed 5 minutes in which to cross-examine the witness. The cross-examinations shall be confined to the matter presented by the witness. In the event members do not wish to cross-examine, they shall not be permitted to yield their time to other members.

Mr. KINCHELOE. I want to ask you about the sentence in paragraph No. 6 providing that the cross-examination shall be confined to the matter presented by the witness, to what the witness has been talking about.

Mr. PURNELL. That shuts out statements concerning extraneous matter that may come up, that is, extraneous to what the witness has been talking about.

Mr. KINCHELOE. It may be extraneous to what the witness is talking about, but yet it may be an important matter.

Mr. PURNELL. I am assuming that the chairman would allow reasonable latitude to the member of the committee who wanted to develop some particular phase of the subject.

Mr. JONES. If he has only five minutes, why limit it?

Mr. PURNELL. The whole purpose of the proposition embodied in the resolution is this. It is the desire, I am sure, to confine these hearings to questions of remedy in order that the committee may devote as much time as possible to the serious business of drafting the bill.

Mr. JONES. Suppose a witness has been talking about one remedy, and a member wanted to ask about another plan. I am afraid he could not do it.

Mr. ASWELL. It would require unanimous consent to do that.

Mr. JONES. I do not see any particular need of having that sentence in the motion if you are going to have the other provision.

Mr. WILLIAMS. I think the purpose of that provision is to have a rule so that a member of the committee can not take a witness who has testified for 10 minutes and cross-examine him for an hour and a half, as we have had in the past.

Mr. JONES. I am talking about that particular sentence which provides that the cross-examination shall be confined to the matter presented by the witness. I do not like that for the reason that a witness might talk about one remedy and some member of the committee might want to ask him for his opinion about another remedy. I do not think we ought to put the members of the committee in a straight-jacket. We are trying to seek a real remedy for this condition.

Mr. PURNELL. Everybody around this table knows that a reasonable latitude would be allowed by the chairman. We are trying to avoid the killing of time and the introduction of absolutely ridiculous and unnecessary matters. Any witness who comes before the committee is concerned primarily with the question of farm relief and remedies therefor. I can not imagine any question being asked that would not be pertinent to the matter discussed, but I think nevertheless it does not hurt to say so.

Mr. JONES. It might be pertinent, but it might not refer to some remedy that the witness had proposed.

Mr. KINCHELOE. Nobody wants to get through with these hearings quicker than I do, nobody wants to cooperate with the committee for that purpose more than I do, and I am glad the provision is in the motion that we are not going to hear about the precarious condition of the farmer, because everybody knows that has been threshed over for a good many years.

At the same time, I do not know what situation may arise. How would it do not to pass on that section 6 just now, but to let it go for a day or two so that we can see where we are going? I want to assure you I will cooperate with the committee so far as the elimination of extraneous matters is concerned.

Mr. PURNELL. It seems to me the best way to do is to settle these things before we start, and adopt definite rules so that nobody will feel that it is a personal affront when you attempt to enforce a rule which has been adopted at the beginning. I think these rules ought to be adopted substantially as they have been presented.

Mr. JONES. I am thoroughly in accord with Mr. Purnell's position in this respect. I think there ought to be a time limit on this matter. I think the 5-minute limitation is all right, because we have been over this matter so many times, but I do not like the provision confining the cross-examination to the matter presented by the witness, and I am going to offer an amendment to strike out the sentence reading: "The cross-examinations shall be confined to the matter presented by the witness."

Mr. ADKINS. You think the member ought to be able to use the five minutes in any way he wants to?

Mr. JONES. Yes. I offer that as an amendment, Mr. Chairman.

Mr. ASWELL. Mr. Chairman, it is very likely that each witness will know something about his own subject. There are perhaps 30 or them here to-day with 30 different ideas, and they do not know much about the other ideas to be suggested, and therefore I think the questions should be confined to what each witness has said. The witness is supposed to be an expert on the particular subject he presents. I think we shall waste our time otherwise, and that we ought to confine our questions to what a witness has said.

The CHAIRMAN. May we have an expression of those present as to the limitation on the cross-examination—that is, on the amendment offered by Mr. Jones?

Mr. LARSEN. Mr. Chairman, I want to call attention to another phase of this subsection. I am not going to make a motion, but I am simply going to make this suggestion.

I have been a member for some time of another committee, which is a very harmonious committee, as much so as any committee in the House, and the rule that has been adopted and applied by that committee, the Committee on the Merchant Marine and Fisheries, is not the procedure such as the subsection in Mr. Purnell's motion would indicate, that the clerk of the committee will call the roll, as it was called awhile ago—that is, first calling the members of the majority and then the members of the minority.

The rule that Mr. White has adopted, which has given very general satisfaction, is to call first the ranking member on the majority side and then the ranking member on the minority side and following that order throughout, giving each group of the committee a

chance to ask questions, and thus balancing the testimony as it goes along.

I think that would be particularly desirable on this committee, for the reason that on this committee, generally speaking, the majority comes from one section of the country and the minority from another section.

Mr. PURNELL. There is no objection to that method of calling the roll. I think that can be determined by the chairman. I think that is a very good suggestion, and that was the plan in mind.

The CHAIRMAN. Are you ready for the question on the Jones amendment?

(The question was taken, and the amendment was rejected.)

Mr. JONES. Mr. Chairman, I would like to make this suggestion: That the witnesses who appear before the committee be requested not to read written statements; that if they have any written statements they be requested to put them in the record and make such oral statements as they desire.

Mr. PURNELL. That is perfectly agreeable, so far as I am concerned.

Mr. JONES. And any written statement they may have be filed for the record. Then let them make such oral statements as they desire to make to the committee. I think we will get more out of oral statements than by listening to the reading of formal prepared statements.

Mr. KETCHAM. I want to ask this question about paragraph 3 of this motion, which says:

> Accredited representatives of organizations desiring to be heard shall arrange with the schedule committee for time. All others desiring to be heard in an individual capacity shall make that request for time of the schedule committee, and shall be allotted not to exceed 30 minutes.

It seems to me, if we are going to hear the number of witnesses we have planned to hear, and if you give the individual witnesses, or witnesses appearing in an individual capacity, 30 minutes——

Mr. PURNELL (interposing). But we do not.

Mr. KETCHAM. If you put a time limit of 30 minutes on them, that, of course, implies that these men who are members of organizations may have a longer time. It seems to me 30 minutes ought to be the limit on anybody, when you take into consideration the short time we have.

Mr. PURNELL. The reason for not suggesting a definite time limit on organizations was that the subcommittee on schedule may decide that they want to hear, for instance, the Farm Bureau Federation, the Farmers' Union, or the Grange, or some of the other groups for longer than 30 minutes, but it may be that they may arrange for 30 minutes with the committee on schedule. It was the idea that in case any individuals desired to be heard they could at least conclude their statements in 30 minutes, or perhaps even in 5 or 10 minutes, that to be determined by the committee on schedule.

Mr. FORT. Some organization might have two or three spokesmen whom they desired to have present different phases of the subject, as representing the views of the organization, and I think the committee on schedule can arrange that, because there may be more than one man speaking for one organization.

Mr. KETCHAM. The only point I am emphasizing is this: That we have a definite time, and when you consider the large number of people who undoubtedly will want to be heard, unless you put some very definite limit, one organization may have an hour and a half, or more, or perhaps even take up a whole half-day session, and another organization may have a very much shorter time. So, if you are going to make any limit, it seems to me that is a matter that ought to be considered before you lay down any hard and fast rule.

Mr. WILLIAMS. We are not laying down any hard and fast rule. The schedule committee will undoubtedly exercise their judgment in the matter. I think we ought not at the beginning to fix a definite time limit on these representative farm organizations. They want to expedite the hearing just the same as members of the committee. This program committee can take the matter up with them and arrange for what time they want.

Then when these individual witnesses come before the committee they are limited to not to exceed 30 minutes. That would mean if we had some noted economist to talk on these matters we might give him 30 minutes.

Mr. ADKINS. I think the schedule committee can handle that matter all right.

Mr. FORT. I have a suggestion to make with reference to section 6. I think as a matter of fairness to the witnesses, if we are going to assign time to these witnesses through the schedule committee, and assign them a definite day and a definite hour when they will appear, we ought to fix it so that every witness will know when he is going to be through, and will not be held here. So I am going to suggest that any witness who finishes his statement in the time allotted him by the schedule committee shall be cross-examined and his cross-examination completed on the same day. In other words, that means we might sit a little later than 5.30 in order to get through with a particular witness and let him go home. If we can do that, we ought to do it and not keep him here another day.

Mr. PURNELL. You mean if any witness concludes his statement before, say, 5 o'clock, his cross-examination shall be concluded on the same day.

Mr. FORT. Yes.

Mr. PURNELL. I think that is a perfectly fair proposition for the witnesses.

Mr. FORT. Then we will be able to question him while the matter is fresh in our minds, and we will get through with the witness, and also with our own questions, much quicker than otherwise.

I move that as an amendment to the motion, Mr. Chairman, that whenever the statement of a witness is finished by 5 o'clock, that the committee sit until his cross-examination shall have been completed.

Mr. PURNELL. I will accept that amendment. It was an oversight that it was not included in the motion. I will accept the amendment, providing that if any witness shall conclude his statement before 5 o'clock his cross-examination shall be concluded on the same day. I ask unanimous consent that that be incorporated in the motion as section 7.

The CHAIRMAN. If there is no objection, it will be so ordered.

(There was no objection.)

Mr. KINCHELOE. In reference to section 3, after the word "and" in the next to the last line, ought there not to be inserted the words "if granted"?

Mr. WILLIAMS. That would give everybody the right to use 30 minutes, if we adopted that suggestion. That would permit any witness to come before the committee for 30 minutes, if he wanted to do so.

Mr. KETCHAM. As it is now, anybody who makes a request of the schedule committee must be heard and can claim 30 minutes?

Mr. PURNELL. No.

Mr. KINCHELOE. It seems to me the words "if granted" should be added.

Mr. ANDRESEN. Why not strike out the word "shall" and make it "may"?

Mr. PURNELL. The fact that somebody makes a request, asking for time, does not carry with it the granting of the request by the committee.

Mr. FORT. It might read, "May in the discretion of the committee be granted not to exceed 30 minutes."

Mr. KINCHELOE. Mr. Chairman, if we are going to start the hearings at 10 o'clock in the morning and then take a recess for luncheon and come back at 1.30 and run until 5.30, I think we ought to take a recess at 12 o'clock instead of 12.30 if we are going to come back at 1.30.

Mr. PURNELL. Usually it is after 10 o'clock before we get started.

Mr. CLARKE. I think that is a criticism of the committee, if the members do not get here on time.

Mr. PURNELL. The chairman of the committee can call the committee to order at the time set and proceed, whether there is anybody here or not. I ask for a vote on the motion, as amended, Mr. Chairman.

Mr. ASWELL. I notice, Mr. Chairman, that the hearings before the Senate Committee on Agriculture have been running for two days, and not a new suggestion has been offered that I have seen. We have heard them all before. The farm organizations are apparently as far apart as ever. I wonder if this committee could not make a very respectful request of the farm organizations to see whether they can get together before they come before this committee. We do not need to hear all of these statements that we have been hearing for about 10 years. Could we not ask them to do that?

Mr. JONES. I think it would not be a bad idea if we requested them to see if they can get together.

Mr. CLARKE. We have been requesting them for 10 years.

Mr. JONES. We have been having farm relief hearings for 10 years.

The CHAIRMAN. Are you ready for the question?

Mr. KINCHELOE. I move to amend the motion by making the time for taking the recess 12 o'clock instead of 12.30.

(The question was taken and the amendment was not agreed to.)

The CHAIRMAN. The question is on agreeing to the motion of Mr. Purnell.

(The question was taken and the motion was unanimously carried.)

Mr. ASWELL. I want to amend the suggestion that has been made a little by requesting the farm organizations to see if they can not

get together and give us something different from what they have been giving us in the last 10 years.

Mr. FORT. So that we may get this matter in some sort of business shape, Mr. Chairman, I move that we now take a recess in order to allow the schedule committee to prepare a list of witnesses to be heard, beginning this afternoon.

The CHAIRMAN. I think it is the sentiment of the members of the committee that we should have this bill ready by the opening of the session of Congress. We have a good many witnesses to be heard.

Mr. FORT. We have to determine how much time each of them is going to have.

The CHAIRMAN. We have a dozen or so here. I will appoint the schedule or program committee right now.

Mr. FORT. I move, Mr. Chairman, that we take a recess for 30 minutes in order to allow the schedule committee to get up a list of witnesses for to-day.

The CHAIRMAN. The Chair will appoint on the schedule committee Mr. Purnell, Mr. Williams, and Doctor Aswell.

Mr. PURNELL. I would suggest, Mr. Chairman, in order to expedite matters, that the schedule committee meet right now in order to prepare a list of witnesses so that we can start this morning. We can prepare a list of witnesses whom we can hear until 12.30.

Mr. FORT. I move that we take a recess for 30 minutes for that purpose, Mr. Chairman.

(The motion was agreed to, and the committee stood in recess for 30 minutes.)

(Upon the expiration of the recess, the committee reconvened at 10.45 o'clock a. m.)

The CHAIRMAN. The committee on schedule reports that Mr. Chester Gray, representing the American Farm Bureau Federation, shall proceed for 30 minutes, as the first witness, and that following Mr. Gray, Mr. Shibley shall proceed for 30 minutes.

Mr. Gray, the committee will be pleased to hear you now.

STATEMENT OF CHESTER H. GRAY, LEGISLATIVE REPRESENTATIVE OF THE AMERICAN FARM BUREAU FEDERATION

Mr. GRAY. Mr. Chairman and gentlemen of the committee, in beginning my statement for the American Farm Bureau Federation with regard to surplus control legislation, I do not know how better to begin than by reading into the record the main portion of the last declaration on this subject by the organization which I represent. This declaration was adopted in Chicago, Ill., on December 12, 1928, at the tenth annual meeting of the American Farm Bureau Federation.

Mr. CLARKE. You are not going to start out by reading a statement, are you? It was the understanding that no statements would be read.

Mr. KINCHELOE. You do not want to read that, do you?

Mr. GRAY. Not the complete statement, but just the resolution. I have no prepared statement, because I felt sure that the committee would like to have oral statements. However, I do want to read the resolution into the record.

Mr. ASWELL. How long is it?

Mr. GRAY. Four paragraphs. I will put it in without reading it, if the committee chooses.

Mr. CLARKE. We do not want to break our rule at the beginning.

Mr GRAY. The resolution is a short one.

The CHAIRMAN. Without objection, you may read the resolution.

Mr. GRAY. The resolution is as follows:

The control of agricultural surpluses is the dominant economic question which faces us at the present time. This problem has become a national issue and is not of concern alone to agriculture.

We reiterate the principles for which we have striven in the past to remove the effects of surpluses which, by imposing upon us a world price rather than an American price and by making the tariff largely without benefit to the producers of farm crops, have in the past and will in the future, if continued, make it impossible to maintain the American standard of living upon our farms.

The questions of surplus control, seasonal and otherwise, for their proper solution require that the entire crop be brought under the regulation of efficient marketing and distribution, which is too great a task for our present cooperative commodity marketing associations of themselves to accomplish. Failures in cooperative marketing have occurred mostly because it has proven to be difficult and in most cases impossible to acquire control of the whole crop. This has resulted in a small part of the crop, produced by a small fraction of the total producers, being required to bear the burden of surplus control and distribution for the entire production; and has made it impossible to require all portions of the crop to share in the cost of bringing the crop into the American protective system. Tariffs on farm crops, however, are not substitutes for surplus-control legislation and are partially ineffective on crops which produce surpluses. Neither does acreage regulation, by governmental mandate or by voluntary agreement guarantee control of surplus.

Legislation must be adopted to make the tariff effective on surplus-producing crops, using cooperative marketing associations as the instruments for marketing not only the surplus but all portions of our farm crops; and containing definite checks and penalties upon overproduction. This legislation must be of a nature which does not subsidize agriculure.

As I said in the beginning, that is the statement of the position of the American Farm Bureau Federation, adopted last December, at the tenth annual meeting of that organization. As you will see, the resolution places our program on farm-relief surplus control under two categories: First, we maintain the position which we have advocated in the past is worth while to be continued; and second, we are willing to exchange ideas with other organizations and to correlate our program with their programs. We are willing, also, to advocate, whenever the proper time is due for its ascertainment, the program of the present administration, and to accede to that program if it comes at all along the lines we have been advocating in the past. So our program at the present time, and the position which I am authorized to present is, briefly stated, that our past advocacy of the equalization plan is one which is of merit enough to be continued.

The second part of the authorization under these resolutions is that if other plans can be presented by the administration, or by organizations different from that of the American Farm Bureau, we are willing to modify our program and to consolidate our program with theirs and to find, if possible, a better way than we have heretofore supported of bringing the American farmer under what we have come to call the American protective system. I do not believe that position on our part lays us open to any criticism. You can not expect an organization like the American Farm Bureau

Federation, which is spread all over the whole Nation, either to arrive at a conclusion suddenly or to withdraw from a conclusion with precipitation. It took the American Farm Bureau Federation approximately four years to arrive at the conclusion that the equalization plan was the efficacious way of disposing of surpluses, and it will take us some time to surrender that plan, if it ever is surrendered, which I am not authorized at this time to do. However, I am authorized, as anyone else is who speaks for the American Farm Bureau Federation, to modify it or to correlate it with any other plan, and if some plan can be presented from any source—from the administration, or otherwise—that seems better than the equalization plan, my authority extends to the limit of permitting me, speaking for the American Farm Bureau Federation, to adopt that other plan. That situation places me—or any other person, I suppose, who speaks for any farm organization—in a somewhat embarrassing situation to-day and at the beginning of this special session of Congress which will soon be convened.

That embarrassment is this: We are supposed to have a new plan, and we are supposed to know what the so-called administration plan may be. We are supposed to know what these other farm organizations have lately agreed upon in their own minds; but none of those things at the present time, as I can testify, are definitely known by me. I do not know what the administration's plan of farm relief is. Naturally no criticism can be advanced against a spokesman of a farm organization, like myself, for being in this situation; and neither can any criticism be advanced against the administration for not disclosing at this time its plan or new ideas. Those plans may soon be made known. Speaking of the administration, I think it is logical to expect that a more detailed specification along farm-relief lines will be forthcoming when the presidential message is delivered to the special session of Congress. Therefore, I can not presume to criticize the administration for not telling us at this particular time what its plan may be, for the reason that the opportune time—the usual time, or the constitutional time—for the administration to speak is when its message is delivered to the forthcoming special session of Congress. At that time, or subsequent thereto, if I were testifying before your committee, I could tell you whether that plan is, in our minds, better than any we have heretofore supported.

I make no pretense of knowing what the administration plan is. I do, however, make this statement in the way of a promise, that whenever that plan is known with somewhat more definiteness than we know it now, from statements which have gone to the public all over the United States in the way of campaign speeches, platforms, or otherwise, I, or anyone else speaking for the American Farm Bureau Federation, will be able to correlate it and to consider it in connection with that which we have already supported; and we are ready to adopt it if it does go along the lines which we have followed in times past. Speaking of other farm organizations, Doctor Aswell expressed the hope this morning that we would come with a unified agreement. I can only say tentatively that developments are in line to accomplish that at the present time, but I would be foolish to stand here this morning and say that the Grange, the American Farm Bureau Federation, and the Farmers' Union are definitely going to

present to you some unified plan. I can only intimate that it is possible that we will do so, because we are in conference almost daily in one form or another, and it will not be very long before the executives of these three great national-service organizations get together.

Perhaps these hearings will be closed before that happens, but it is coming to the point now where the farmers' organizations are consolidating their plans or surrendering certain features of past plans which they have supported, and are coming more nearly to the hopeful attitude of being more nearly able to stand for one plan of surplus control than we have been able to do in times past. To repeat, it places any person somewhat in a position of embarrassment to try to stand before the committee, which is convened this morning, and outline what we are now standing for in the way of farm relief, the embarrassment being due to the fact that we do not want to be so arbitrary as to preclude us from advocating or approving something which may be submitted later. The embarrassment, furthermore, consists in the fact that at the present time about all that any of us can do is to stand up and say what we have stood for in the past, being willing, however, to modify that as later information develops. That is the gist of the resolution which I have just reported to you.

Now, then, as a method of review, you will remember that the main things which we have fought for in the matter of farm relief are these: First, that the tariff be made effective; second, that the main purpose of farm relief is surplus control; and, third, that agriculture be not subsidized in the operation. Those are the three main points which to our minds define farm relief. Mr. Chairman and members of the committee, I could take any one of half a dozen measures from the program of agricultural legislation that the American Farm Bureau Federation is advocating and which has not yet been enacted into law by the Congress of the United States. I could pick any one of those measures and say that it is farm relief. I could come before you and ask you to put your approval on any one of them and could ask Congress to pass it. Then I could say that if you pass that legislation you will have done a great thing for agriculture. However, I am denied saying that for the reason that such a measure, and the other half dozen bills that I will enumerate later, are not farm relief under the definition as I have stated it, as follows: First, that it must be such as to make the tariff effective; that it must be such that it will insure surplus control; and that it must not subsidize agriculture. We want farm credits in the United States of America.

We need more intermediate credit for cooperative organizations. We need more intermediate credit for farmers and more facilities through which the cooperatives may operate more advantageously than they have done in times past and more advantageously than they are operating right now. But I could not come before your committee and say to you that a reconstruction of the intermediate-credit machinery of the Nation would accomplish all that we desire in the matter of farm relief, because intermediate credits do not control the surplus. They do not help to bring us under the American protective system, although they do avoid the subsidizing of agriculture. Therefore, intermediate credits do not completely come

under the definition of what we call farm relief. I could come here, also, and advocate that you report out, as you have already reported out once, Chairman Haugen's oleomargarine bill, which would bring to the American farmers virtually millions of dollars of profit, but after that bill became a law I could not say to you that it was farm relief. If you should pass that bill later on, it will help us, and I hope that during this extra session of Congress it will be enacted; but, as important as that bill is, it does not qualify under our definition of farm relief. I could come and stand before you and ask you to report out Mr. Dickinson's bill on the subject of grain futures, a bill for the further control of boards of trade, so as to avoid the fluctuations and, sometimes, depressions in prices which speculation brings into evidence.

That bill is a highly important one, but it is not farm relief under the true definition of it. It does not serve to bring the American farmer under the protective system. It does not have anything to do with the control of surpluses, and it has no bearing on the subsidy question one way or the other. I could come here and ask you to report out and pass the Madden bill, with reference to Muscle Shoals, which would mean virtually millions of dollars to the American farmer. Whenever that bill is enacted into law, as we hope it will be enacted into law some day, the Madden bill, important as it is, and Muscle Shoals, as important as it is to American agriculture, in the broad sense of the word, do not constitute farm relief as we have been advocating it before this committee and elsewhere in the United States for the last half a dozen years. Now, the Madden bill, or the Muscle Shoals bill, we hope will be acted upon at this session of Congress. We hope it will be acted upon by this committee, because it is an agricultural project. We hope that that bill will be a part of your legislative program at this session of Congress; but you can not pass the Madden bill, important as it is, and say to the American farmer that you have accomplished surplus control, or that you have accomplished farm relief, because you will have accomplished only a portion of it, and not all of it. I am just reviewing some things that will be brought to your attention, and that you will be besought to take up as certain effective pieces of farm legislation.

You will be besought to take up certain pieces of farm legislation and to pass them as a consummation of farm relief. I think this committee will not be very easy to subscribe to that point of view, but I know very well that you will be approached by people who will want you to take up one project and call it farm relief, and then adjourn and go home, and say to the world, "We have done what the farmers want." I am speaking now in the way of warning that those projects, important as they are, and much as we hope they will be acted upon at this special session of Congress, do not, of themselves, qualify under the true definition of farm relief. Therefore, in speaking for the American Farm Bureau Federation on the subject of farm relief, I must bring before you the renewed impression that any bill which may be reported from this committee that does not give the American farmer the benefit of the protective system; that does not avoid the subsidizing of agriculture; and that does not handle the surplus question, can not be defined as true farm relief.

Taking up the surplus question more specifically now, some people have changed their point of view on that since the bill which

President Coolidge vetoed twice was passed. Some people are trying to inculcate the thought into our minds that the thing to do in the matter of surplus control is to prevent the creation of a surplus at the beginning. In other words, there is a new line of thought that trying to finance surplus control is a wrong thing. This is a new line of thought, and I think it has not gotten very far now. Our opinion has always been that we must control the surplus after it is created. As this committee well knows, no farm organization ever yet has been wise enough to devise a method of preventing the creation of a surplus, but there is a school of thought now that seems to think that you ought to prevent it at the beignning by a system of acreage control. That school of thought asks, "Why can they not join in an agreement not to grow any more corn this year than last year, or not to breed any more sows this December than were bred last December?" They claim that the farmer can keep himself in the status of production that he was formerly in, and that therefore there would be no surplus. That is a school of thought that has just been getting into action within the last few months, and it will come to the attention of this committee in one way or another.

Now, I am frank enough to say to you gentlemen that the American Farm Bureau Federation has not been courageous enough to say that we advocate only a control of surplus at the beginning. None of our officers are courageous enough to go out before the public and say that we are standing for a system that will prevent the American farmer next year from planting any more corn, wheat, rye, or other crops, or from producing any more dairy products next year than last year. We are not courageous enough to do that. The reason, perhaps, that we have not done so is that we would be standing on absolutely new ground. However, there will be farm relief plans submitted to this committee, as well as to the Senate committee, which will seek to control the surplus at the beginning. I want to make a confession that I have already made to the committee on prior occasions, which is that we are going to have surpluses, due to climatic, weather, or seasonal conditions. There is not any method of controlling production, through control of acreage that will bring us to the point where the farmers of the United States will not have surpluses, seasonal, temporary, or of some kind or another. If we are going to have those surpluses, then the question always is how shall we control the surplus. That situation has always been one and will always be one for which we will have to seek a cure.

Confessing that we will have that surplus, and that you can not prevent the creation of that surplus by legislation or otherwise, then the question is, How shall we dispose of the surplus so as to make it least harmful to the price which the American farmer is to get for his product? In other words, the question of farm relief has come down to the question of profit to the American farmer, and we are not very easily led into any plan of farm relief which does not have a beneficial effect on the price the farmer receives for his product. That statement leads to some remarks about some proposals that may be drafted into bills, and about others which, perhaps, have already been drafted into bills. I can not condemn or praise these propositions, but I can merely advance some thoughts upon them,

holding in absolute reserve our final decision until we know with more definiteness what the administration's plan is. That is true because, naturally, we want to go along with the administration if the plan, when it is promulgated, covers those three primary definitions which I have given to you of any effective farm-relief legislation. One of the features of surplus control that you hear much about now is in the way of solution through stabilization corporations. I will not condemn stabilization corporations as a method of surplus control, nor am I permitted to approve them wholly. I am frank to say to you gentlemen that I think the report to the board of directors of the American Farm Bureau Federation, made three weeks ago in Chicago, on stabilization corporations, expresses our views. That report is as follows:

> Much is said about our stabilization corporations. Undoubtedly they have a place in surplus control, especially in connection with the operation of commodity cooperative marketing associations in handling the surplus alone at the terminal market and in export trade. Stabilization corporations can be so constituted as to comprise the cooperative groups and in reality be the financial subsidiaries of such groups. Not full and absolute dependence, however, should be placed upon stabilization corporations in surplus control efforts. It should not be forgotten that it may be easier for a stabilization corporation to function without loss of its capital and credit at a low price level than at a high level. Especially might this be true if the finances of the stabilization corporation were not underwritten and guaranteed by a charge upon the commodity being served, and dependence for safety of its finances should rest solely upon the chances of making profits.

I call your attention to that one paragraph of the report to the board of directors of the American Farm Bureau Federation, stating some of the weaknesses or handicaps of stabilization corporations. You will have, I expect, before your committee, a man who will go into that more fully than I have attempted to do this morning, relative to stabilization corporations; but I wanted to bring to the attention of the committee the impression which we have gained in the Farm Bureau Federation that if we tie all of our efforts at surplus control to stabilization corporations alone, we will have tied our hopes to an instrumentality which might maintain an income level for agriculture, but we have not expressed the conclusion that that income level would be high rather than low.

It is easier to stabilize a price, Mr. Chairman and gentlemen of the committee, at a low level than it is to stabilize it at a high level, or even at a medium level. One of the prime dangers of a stabilization corporation is that stabilization will be effected at a point where the income of the American farmer will be on a low level, or where, if you raise 20,000,000 bales of cotton, you will get the same price for it in total dollars that you would get if you had raised 15,000,000 bales of cotton, and where if you raised 600,000,000 bushels of wheat you would get the same price for it as if you had raised 800,000,000 bushels of wheat. There is another danger about the stabilization corporation, and that is while it may maintain an average line of income, the stabilization corporation does not do anything about removing the depressing influence of surplus or price.

Another danger, if I may call it a danger, of the stabilization corporation is, as they have now been advocated in some places, that they have no contact with or relationship with cooperative marketing.

I am willing to give partial approval to the stabilization corporation idea, or to the stabilization corporation, as we have stated in our report to the Board of Directors of the American Farm Bureau Federation, by tying it in with cooperative marketing. If those stabilization corporations are made subsidiaries of, and financial agencies dependent upon, the cooperative commodity organizations, their functioning might be fairly advantageous to American agriculture; but, on the other hand, as has been suggested in some bills that will be considered, or will be introduced for consideration by this committee as well as by the Senate committee, if they are allowed to have as component members any stock or mercantile agencies, then we will be getting into a very dangerous situation, because we will be turning agriculture over to agencies usually called boards of trade, and which, ordinarily, have not been advantageous agencies to agriculture.

There are two things in connection with stabilization corporations that I want to advise with the committee about: First, if you do have stabilization corporations, tie them in with the agricultural organizations and make them subservient to, and financial dependents of, such organizations; second, I suggest that the stabilization corporation is more likely to develop as an income line leveler rather than as a price line or profit line heightener for agriculture.

The CHAIRMAN. Your time has expired, Mr. Gray.

Mr. GRAY. I thank you for your attention.

The CHAIRMAN. Do you have any questions, Mr. Purnell?

Mr. PURNELL. I have no questions.

The CHAIRMAN. Mr. Aswell?

Mr. ASWELL. Mr. Chairman, Mr. Gray did not say anything at all new. He has said what he has said here over and over again. He is embarrassed. He admitted that he was embarrassed, and he talked about the administration a good deal. He has told us what we ought not to do, but he has not offered a single suggestion that will be of any value to this committee. Therefore, I have no questions to ask.

The CHAIRMAN. Mr. Williams.

Mr. WILLIAMS. No questions.

The CHAIRMAN. Mr. Kincheloe.

Mr. KINCHELOE. As I understand from your statement, Mr. Gray, your organization still stands for the equalization fee?

Mr. GRAY. Yes, sir; and I may add, until something better is proposed.

Mr. KINCHELOE. I want you to answer yes or no, because I have only five minutes.

Mr. GRAY. Yes; we still stand for the equalization fee.

Mr. KINCHELOE. Until something else which is better is offered?

Mr. GRAY. Yes, sir.

Mr. KINCHELOE. You speak of bringing agriculture under the protective system; and I want to say here that when I am talking about a protective tariff I am not talking about any politics. I understand that you agree that a tariff on agricultural products which will not reach the surplus is not very effective.

Mr. GRAY. Yes; not very effective.

Mr. KINCHELOE. Now, would you mind stating just what agricultural products you would be in favor of increasing the protective

tariff upon, or creating a tariff upon, which are now on the free list?

Mr. GRAY. I have presented a long list of them for the Ways and Means Committee.

Mr. KINCHELOE. Let us have an example. What agricultural products are now on the free list that you want a tariff on?

Mr. GRAY. Cotton is one.

Mr. KINCHELOE. That is a surplus producer. Do you think that would be our remedy?

Mr. GRAY. On long staple; yes, sir.

Mr. KINCHELOE. Well, we do not produce any surpluses on long staple.

Mr. ASWELL. No.

Mr. KINCHELOE. Is there any surplus in this country? Of course, I am deferring to the judgment of these cotton men. I did not know that we produced any surplus long staple cotton in this country.

Mr. ASWELL. No.

Mr. KINCHELOE. We import a whole lot.

You spoke of the Madden bill; and while you are for the development of Muscle Shoals, you understand that this is not before this committee, and never has been?

Mr. GRAY. I know it never has been; but it is an agricultural project, and inasmuch as this committee is organized, it could consider it.

Mr. KINCHELOE. I agree with you. But it never has been before this committee?

Mr. GRAY. It never has been before this committee.

Mr. KINCHELOE. Now, what do you think of this kind of a bill? You are familiar, of course, with the McNary-Haugen bill. I have never read very closely Senator McNary's bill, but I understand that it is really the McNary-Haugen bill with the equalization fee left out, and providing a revolving fund of three or four hundred million dollars a year to assist this farm board in taking the surpluses off the market through cooperative organizations and disposing of them in an orderly way through the world market, or feeding them back throughout this country in lean years. Are you for that bill?

Mr. GRAY. No.

Mr. KINCHELOE. You would not be for that bill. I think that is all that I care to ask.

The CHAIRMAN. Mr. Thompson.

(No response.)

The CHAIRMAN. Mr. Ketcham.

Mr. KETCHAM. I have some questions, Mr. Chairman, but I have just sent to my office for the data that I want to use.

The CHAIRMAN. We will call on you later.

Mr. Fulmer.

Mr. FULMER. Mr. Gray, in the bill introduced by Mr. McNary do you find anything that would really help to take up this surplus, if we have one, so as to control the surplus and help to bring about a better price? In other words, does not the bill simply create a board and a loan fund?

Mr. GRAY. The bill, Congressman Fulmer, does that which you say. It creates a board and a loan fund; and, I may remark here, we have supported and have incorporated in the last two McNary-

Haugen bills, the loaning idea. But Senator McNary's present bill goes farther than that, and makes a set-up of stabilization corporations, which we have not yet had in any bills before this committee, I believe.

Mr. FULMER. But in connection with the stabilization corporations there is nothing in the bill that would provide a scheme whereby you might be able to stabilize prices, at a fair level of prices?

Mr. GRAY. You are right.

Mr. FULMER. In other words, under the bill they could stabilize the prices, perhaps, below the cost of production?

Mr. GRAY. You are right.

Mr. FULMER. In any loan scheme, Mr. Gray, unless there is some scheme whereby you can induce the farmer to go into the cooperative association so as to get the cotton, to be able to control the marketing of it, and to have some say so as to a fair price, all the money that you might furnish along that line would not amount to anything in bringing about a fair price for cotton?

Mr. GRAY. In other words, if I may answer your question by simply making a statement, you can not solve the surplus question by loaning more money.

Mr. FULMER. The thing that the farmer is interested in to-day is a fair price for that which he produces?

Mr. GRAY. Absolutely.

Mr. FULMER. And the surplus that you speak about is usually a temporary surplus?

Mr. GRAY. Nearly always so.

Mr. FULMER. In other words, if the farmer to-day had a fair price for that which he produces, so that he could buy, we would soon get rid of the surplus?

Mr. GRAY. Yes.

Mr. FULMER. As a matter of fact, the South could consume at this time the output of millions of bales of cotton to-day if they had the purchasing power by receiving fair prices for that which they produce. In other words they are stifling with cotton and going ragged because they haven't the funds to buy.

You mentioned a few minutes ago a tariff on cotton. You mean not only long staple but also short cotton?

Mr. GRAY. Yes, sir.

Mr. FULMER. And with that I presume you would put into this legislation some scheme whereby you could make it effective?

Mr. GRAY. Yes, sir.

Mr. ASWELL. How?

Mr. FULMER. I think that is all.

The CHAIRMAN. Mr. Hall.

Mr. HALL. No questions.

The CHAIRMAN. Mr. Doyle.

Mr. DOYLE. No questions.

The CHAIRMAN. Mr. Pratt is not here.

Mr. Larsen.

Mr. LARSEN. Under the remedies with respect to farm relief, Mr. Gray, you did tell us some things that we should not do. Would you mind incorporating in the record some of the things that we

should do in order to accomplish the ideas which you have in mind to give farm relief?

Mr. GRAY. Do you mean, Congressman Larsen, that I shall answer that question now in the record, or submit the answer for the record later?

Mr. LARSEN. My idea was, inasmuch as you are not allowed sufficient time in which to make a complete statement, that you might incorporate in your written remarks, if you desire to file some, these remedies which you would suggest. Of course, if you would not want to do that, then I would like for you to answer it verbally; but if you are going to file a written statement, you might make some suggestions that we might enact into legislation.

Mr. GRAY. I would answer that question in this way, Congressman Larsen: That to-day, speaking without knowing what the administration plan is going to be, my best suggestion to the committee, on the constructive, the positive side of the question—which I have, as you have pointed out, treated slightly on the negative side already—would be this: That a Federal farm board be set up, with the widest and most expansive powers which it is possible to give a Federal body; that that Federal farm board be authorized, in its discretion, to use any one of several plans which might accomplish the making of a tariff applicable and serviceable to farm crops, the control of surpluses, and the avoidance of subsidy to agriculture. Several of those plans have been presented to Congress. Each of them has points of merit; each of them has points of deficiency. The good points of the several plans which have been proposed might be saved; the disadvantageous points might be eliminated. Then the Federal farm board, with the broadest powers imaginable, in its discretion, whether the surplus were large or small, seasonal or otherwise, could use any plan, or any combination of them, that it chose to use.

Mr. LARSEN. I believe you said——

Mr. GRAY (interposing). May I answer that question a little bit more fully, in speaking of the powers which the Federal farm board might possess, to show you what I mean by that? Perhaps in farm relief bills in the past we have tried to be too specific in outlining the powers of the board, as well as in describing the mechanism of the board's action. I have in my hand here the Smith-Lever Act, which is the original instrument of all this agricultural extension work, which is now spread all over the Nation. We have county agricultural agents and home demonstration agents, boys' and girls' club agents, specialists running out from the city of Washington, specialists in connection with every agricultural college, trains to experiment and demonstrate, fields of experimentation and demonstration plots, and all of that long and involved machinery which we know now as agricultural extension. Now, if we had tried to define all that when we passed the Smith-Lever Act many years ago, no man in Congress or outside would have been absolutely intelligent enough to have depicted what agricultural extension has come to be; but all of that work has grown up as a result of this power which I shall read you in the original Smith-Lever Act. And when I read you this, I want this to be an instance of where big powers can be given to an agency without specification as to how those powers shall be made operative to the benefit of agriculture.

SEC. 2. That cooperative agricultural extension work shall consist of the giving of instruction and practical demonstration in agriculture and home economics to persons not attending or resident in said colleges, or in the several communities, and of imparting to such persons information on said subjects through field demonstrations, publications and otherwise; and this work shall be carried on in such manner as may be mutually agreed upon by the Secretary of Agriculture and the State agricultural college or colleges receiving the benefits of this act.

One sentence only contains the entire authorization of the Smith-Lever work, which is now spread, as I described a while ago, into a multitude of activities, each of which is absolutely in keeping with the power given in that one sentence.

The CHAIRMAN. Your five minutes are up, Mr. Fort.

Mr. FORT. Mr. Gray, you just stated that you believed the board ought to have these tremendous powers. Ought it to have them to exercise on its own motion, or on the request of farm commodity organizations?

Mr. GRAY. I think there should be, Congressman Fort, an advisory council, which should be, as the name designates, advisory; but I believe that I am expressing the thought of the American Farm Bureau Federation—I know that I am expressing the thoughts of the legislative committee of that organization, which is in town at the present time—that responsibility and authority should not be separated. If you give a board authority, made that board responsible, and do not give it such a mechanism that it can get out from under and "pass the buck," if I may use that expression, to an advisory council. I do think, however, that an advisory council should be set up, but not with powers sufficient to take from the board the responsibility or the authority which should be lodged in the board.

Mr. FORT. You are limiting your discussion of farm relief, as I take it from what you have said, exclusively to the so-called surplus crops. Do you not feel that this committee ought to go into other phases of the agricultural problem in which it can be of service, taking, for example, your own suggestion of oleomargarine?

Mr. GRAY. I should be glad, Congressman Fort and members of this committee, if your committee in the special session could dispose of the oleomargarine bill and of the grain futures bill, the Muscle Shoals bill, and so on; but in doing those things you have not solved the surplus question.

Mr. FORT. I did not ask that. I say, do you not feel that it is a necessary part of any program of complete farm relief that we should go into the perishable products problem and various other problems along with it?

Mr. GRAY. May I answer you again in this wise: That we do not believe that agricultural salvation can be accomplished by any one bill.

Mr. FORT. That is all.

The CHAIRMAN. Mr. Nelson.

Mr. NELSON. I have no questions at this time.

The CHAIRMAN. Mr. Menges.

Mr. MENGES. No questions.

The CHAIRMAN. Mr. Andresen.

Mr. ANDRESEN. Mr. Gray, you are familiar with the Land of Lakes Cooperative Association in Minnesota?

Mr. GRAY. Fairly so; yes, sir.

Mr. ANDRESEN. They have been quite successful in their operations during the past few years?

Mr. GRAY. I understand so.

Mr. ANDRESEN. Do you think that if national commodity cooperative associations of that character can be set up, it will assist in solving the surplus problem and the marketing problem of the farmer if it has Government backing, financial and otherwise?

Mr. GRAY. It will assist; yes.

Mr. ANDERSON. And that such organizations could probably be the stabilization corporations?

Mr. GRAY. Either such organizations or subsidiaries created by the Land of Lakes and other dairy groups, preferably the latter.

Mr. ANDRESEN. That is all.

The CHAIRMAN. Mr. Adkins.

Mr. ADKINS. Mr. Gray, your idea is, in giving this board broad powers, that you would restrict their authority to encourage and to employ, as interested in this surplus, any except corporations that are the outgrowth of and come up from the local cooperative associations and are controlled by them; would you not?

Mr. GRAY. I believe that would be our ideal and plan.

Mr. ADKINS. That is all.

The CHAIRMAN. Mr. Clarke.

Mr. CLARKE. Mr. Gray, aside from the tariff, which we all believe should be readjusted on agricultural products, I point you to a map of the United States here, prepared in the Department of Agriculture, that shows, under the present working of the warehouse act, the operations of that act, nation-wide in extent, where up to $1,000,000,000 worth of agricultural products have been stored; and I ask you this as applied to a fundamental scheme, aside from the readjustments in the tariff: Why a possible elaboration of that plan, so that the farmers, either through their cooperatives of individually, can have available to them warehouses, would not be an effective plan for surplus control, where they can borrow the money at rates of interest, as shown by past experiences, of less than 4 per cent?

Mr. GRAY. I would answer your question in this way, Congressman Clarke: That warehousing such as you have designated on your map here is indispensibly necessary to surplus control. But, if I may elaborate upon your thought, in the farm bureau we have been displeased for years, ever since the Federal warehouse act was passed, that the privileges of that act, by regulation of the Department of Agriculture, have not been so extended that farmers having cheese well prepared and capable of preservation and storage, farmers having wheat or cotton, and possessing on their own farms or in their own communities vermin-proof and fire-proof storage houses, can not now store their crops on their own farms under the warehouse act and get certificates upon them for warehousing purposes, but must send their warehouse stuff to terminals. What I am getting at is this: I would elaborate on your thought on storages that you have here so that the Federal warehouse act would permit storage in communities and on farms, under lock and key, certified by Federal agencies, so that we will not have to shoot all our stuff to the terminals for storage, and can store it in my granary and in your milk plant and elsewhere, and thereby help

keep this surplus from moving where it becomes visible at the terminals, and depressing the price.

Mr. CLARKE. Then you believe that this agency is one of the agencies that could help alleviate the surplus problem?

Mr. GRAY. Absolutely; and I would be very greatly encouraged, and so would the Farm Bureau, if by legislation or regulation—legislation being by Congress and regulation by the Department of Agriculture—the Federal warehouse act could be made operative down on the farm, providing the farmer has a vermin-proof and fireproof storage.

Mr. CLARKE. That is all.

The CHAIRMAN. Mr. Hope.

Mr. HOPE. Mr. Gray, you said a while ago, and also in answer to a question by Mr. Adkins, that you thought stabilization corporations could only be effective where they worked in connection with and tied in with the cooperative organizations. Do you at the present time think that our cooperative organizations are strong enough to work with a stabilization organization effectively?

Mr. GRAY. Yes; and that is the reason I qualified my answer to Congressman Andresen a while ago, that it is preferable to have a stabilization corporation as a subsidiary of a commodity group, because a subsidiary, under the bill as I suppose it will be passed, with a large revolving fund, can get its finances by a loan from the Federal Treasury, but if the mother organization itself—the Land of Lakes, for instance—has to furnish the finances, it can not furnish them. But the cooperatives are plenty able now to band themselves together and create financial subsidiaries, with the revolving fund furnishing the loan. Uncle Sam will furnish the finances under loans, with interest.

Mr. HOPE. And you think that they would be able under those circumstances to control enough or all of the commodity to really carry out a stabilization program?

Mr. GRAY. Yes, sir.

Mr. HOPE. That is, there would be enough agencies through which the stabilization corporations could work to effectively control the marketing of the entire commodity?

Mr. GRAY. I would answer that, so far as I understand the commodity groups at the present time, they would be able to do that if the bill which you gentlemen are contemplating writing ties in the stabilization corporation ideal with cooperative marketing and keeps it away from what I have designated as board of trade influences.

Mr. HOPE. And your main thought, I take it, in this connection is that in that way the control of the marketing operations would be in the hands of the producer?

Mr. GRAY. If it is not under such control, Congressman Hope, it never will be effective to agriculture.

Mr. HOPE. That is all.

Mr. GRAY. May I elaborate upon that idea? We had some plans in the war and right after the war, where farm crops were handled by agencies which now you and I would call stabilization corporations. Did they do the American farmer any good? The general answer to that is no; they did not do the American farmer any good.

Mr. HOPE. You refer to organizations like the wheat growers?

Mr. GRAY. No; I refer to such organizations as were necessary during the war period; the Food Administration organization and the subsequent organization of the War Finance Corporation. Those organizations tended to destroy cooperative marketing. If they had been continued, they would have destroyed cooperative marketing, instead of advancing it; and they did not do the American farmer any particular good.

The CHAIRMAN. Mr. Brigham.

Mr. BRIGHAM. Mr. Gray, in your opinion, in the case of wheat, have we cooperative organizations sufficient in number and sufficiently strong to handle the surplus of wheat through stabilization corporations?

Mr. GRAY. Not if the wheat pools themselves try to do it with their own capitalization and resources. But if the several wheat pools which we now have go together to federate and form a financial subsidiary—call it a stabilization corporation if you want to—then with the set-up of this bill along stabilization lines, which I suppose the committee has in mind—to think of, at least—the loan for the necessary financing would come out of the revolving fund.

Mr. BRIGHAM. How many wheat pools do we have that are successful?

Mr. GRAY. Six or eight.

Mr. BRIGHAM. And what portion of the crop do they handle?

Mr. GRAY. I could not answer that definitely. Approximately, I think, 15 per cent. That is a memory guess on my part.

Mr. BRIGHAM. That would be a pretty small proportion?

Mr. GRAY. It would. That is a small proportion. But if these wheat pools should set up a financial subsidiary, there would be nothing to prevent that subsidiary handling other wheat than from the pools.

Mr. BRIGHAM. Now, assuming that the farm board should think that the commodity cooperative organizations were not sufficiently strong to handle the surplus through stabilization corporations, would you advocate that the board should go out and set up cooperative organizations, using Government funds for that purpose?

Mr. GRAY. No; I think not.

Mr. BRIGHAM. You would leave the cooperative organization of the farmers to the farm organizations and the farmers themselves?

Mr. GRAY. I think—and I am not expressing an official opinion here, because we have no official opinion on that—but my personal opinion is that the American farmer should organize himself.

Mr. BRIGHAM. That is, you would not advocate the using of county-agent machinery and extension services?

Mr. GRAY. Oh, yes. He is nothing but a farmer.

Mr. BRIGHAM. But I mean in the way of selling stock and signing up the farmers to go into cooperative organizations?

Mr. GRAY. Use him for his educational purposes, for the conducting of meetings and the arrangement of meetings, and for explaining the economics and the necessity of the thing, but leave it to the American farmer himself to do the actual setting up of his own organization.

Mr. BRIGHAM. That is, the selling of the stock, the securing of members, and so forth?

Mr. GRAY. Yes.

Mr. BRIGHAM. That is all.

The CHAIRMAN. Mr. Houston.

Mr. HOUSTON. No questions.

Mr. BRIGHAM. One minute, Mr. Chairman.

The CHAIRMAN. Yes.

Mr. BRIGHAM. I understand that in the last bill there was $10,000,000 for organization purposes. Would you advocate the continuance of that?

Mr. GRAY. That is not necessary—that is, providing the bill is so drawn that adequate credits can be had for the financing of the subsidiaries for these commodity groups. Then leave it to the farmer himself to strengthen his condition and do not require him to furnish all the necessary finances to carry his crop. That could come from the revolving fund.

Mr. BRIGHAM. I assume the board would want some assurance that the cooperative was strong enough to do the work it undertakes to do.

Mr. GRAY. Yes; and that is the weak point——

Mr. BRIGHAM (interposing). And should have some voice in the management of the cooperative.

Mr. GRAY. It would have a voice in the management, I presume, through the Secretary of Agriculture being an ex-officio member of the Federal Farm Board. I am presuming that would be so; I do not know.

Mr. BRIGHAM. If the Government arranges to make an advance to finance the cooperative organization for the control of the surplus through stabilization the board ought to have some voice in the operation of the cooperative, ought it not?

Mr. GRAY. Yes; and it would have, through the contractual relationships provided for in the bill. The weakness of all these other plans of farm relief and the weakness of the stabilization plan is this, as we have pointed out many a time to this committee and in other places: That there is no absolute surety that Uncle Sam, when he loans this money to a financial subsidiary, a stabilization corporation, will ever get the money back, much less will he get back the interest charge. There is no surety of that. In other words, a criticism of the stabilization corporations is that they are dangerously near in their actual operation to subsidizing agriculture, and Uncle Sam will foot the bill. We are not strong for that, and in advocating legislation to take care of surplus disposition, frankly we in the Farm Bureau have never found anything that would prevent Uncle Sam losing the money he advances in the revolving fund and guarantee him getting his 4 per cent interest, other than the equalization fee.

The reason we have stood for that fee largely is that it guarantees the underwriting of the loan that comes from Uncle Sam. The stabilization organization has the fundamental fault that if Uncle Sam loans the money he may never get it back.

Mr. KETCHAM. You referred to the assistance that stabilization corporations might give by taking care of the seasonal surpluses. Is it your judgment that a stabilization corporation with broad powers and sufficient funds, either directly or indirectly, might render some service in stabilizing, for instance, the price of wheat over a period of years?

Mr. GRAY. Yes; they might do it, if they started it on that commodity.

Mr. KETCHAM. It is your judgment that that would be a very great advantage to a large number of men, and, by reason of that assistance, would help them to keep their crop costs stable?

Mr. GRAY. It should be helpful.

Mr. KETCHAM. With reference to a longer period and taking another crop, like that, for instance, of cotton? I am now referring to an article written by Mr. E. W. Gist, State statistician of Alabama, who makes the statement that during the past 15 years, from 1913 to 1927, figuring the crops of these years, America produced for that whole period 203,000,000 bales, and during that same period the exports from America to various countries, added to the amount taken by domestic mills, reached the total of 211,000,000 bales, or an actual consumption of 8,000,000 bales more than we produced. And not only is that true, according to the statement of Mr. Gist, for the whole period of 15 years, but each 5-year period of the three showed a similar result.

If that is a fair statement—and I take it that this man is a pretty fairly level-headed student of the subject—would you think that such an arrangement running over a period of five years would be of some help in making a fairly uniform, fair price for cotton?

Mr. GRAY. It would on some commodities, and on others it would not.

Mr. KETCHAM. Take it on cotton. Under the conditions prescribed, would it have worked in the period from 1913 to 1927?

Mr. GRAY. I do not believe——

Mr. KETCHAM (interposing). Under the statement of facts I gave you, supposing those facts were true?

Mr. GRAY. Supposing those facts to be true, the stabilization corporation, running along for that series of years, would have been helpful.

Mr. KETCHAM. Then we may say, assuming that this man, who is a State employee, did know his facts and had made an accurate statement, for this period from 1913 to 1927 stabilization corporations, adequately financed, would have cared for these slumps in the price of cotton.

Mr. GRAY. But, on the one hand, my answer has granted that Mr. Gist's figures are right. On the other hand, in conference yesterday with a large group of cooperative managers, one of whom was the manager of the American Cotton Growers' Exchange, it was pointed out the danger that a stabilization corporation might be on cotton—it will hold over from one year into the second year and third year, and a big surplus will do more harm in the second and third years than it might do in the first year on cotton.

Mr. KETCHAM. I presume the fact that there is coupled with that no machinery for the control of surpluses stabilization the plan is thought futile.

Mr. GRAY. Control of what?

Mr. KETCHAM. Control of the surplus.

Mr. GRAY. That, after it has occurred, is going to be controlled by the fund created.

Mr. KETCHAM. Have you ever thought of any scheme that in your own mind would completely satisfy you that could control the surplus, or have you in your own mind believed that the control

machinery we have advocated has been adequate to keep down the production of a surplus in the face of a rising and attractive price?

Mr. GRAY. Yes; to a large extent; but any phase of surplus-control legislation must have in it—I have not had time to point out the minor details—but it must have this detail in it, a penalization for overproduction. And that is another place where these stabilization corporations fall down, where they are weak. They have no method for penalizing overproduction. The debenture plan which you introduced at the last session had a method of penalizing overproduction. The equalization fee, in my personal estimation, has a better method of penalization. But the answer to your question is this: That I do not think there is any plan of penalization which will absolutely and arbitrarily control the surplus and prevent one being piled up if the price is sufficiently attractive.

Mr. KETCHAM. You do not look with any degree of patience upon any kind of farm legislation that does not have in it the contemplation of a better price for farm products?

Mr. GRAY. We would have no excuse for being before your committee unless we thought that would happen.

Mr. KETCHAM. I do not think the committee would be meeting if they did not have that in mind.

The CHAIRMAN. You stated that you were not in favor of any plan that would subsidize agriculture. Will you enlarge or elaborate on that?

Mr. GRAY. I stated in reply to a question in regard to stabilization corporations that we in the Farm Bureau have always been careful about approving a loaning plan in reference to farm relief because there is no absolute guarantee of the return of this revolving fund back into the Federal Treasury, with 4 per cent interest. And when I say that we are careful about the question of subsidizing agriculture, it means this, that granting Uncle Sam can furnish the finances for any plan of farm relief, we want to be certain that Uncle Sam will get the money back with 4 per cent interest; and under the stabilization plan which we have talked about this morning there is no guarantee of the return. Under the loaning plan there is no guarantee of the return. Under the equalization fee plan there was an absolute guarantee of the return of Uncle Sam's money, plus 4 per cent interest. That was under the equalization fee.

When I say we do not want subsidies I mean that any kind of legislation which you men shall report and ultimately pass, if it complies with what we desire, will return Uncle Sam's money with 4 per cent interest and will not subsidize us by giving us doles or pensions from the Federal Treasury.

The CHAIRMAN. But if there is a loss in stabilizing the price it must be understood who shall bear the loss.

Mr. GRAY. Who should bear the loss?

The CHAIRMAN. If the farmer is to bear the loss, how is he to bear it? How can you stabilize the price at a higher level without expense?

Mr. GRAY. What is your question?

The CHAIRMAN. I say there might be a loss. Who will bear the cost, unless the farmer is permitted to do it through the equalization fee, or in some other way?

Mr. GRAY. Unless the farmer is permitted to do it himself through his own commodities there is only one other person to bear the loss, and that is Uncle Sam.

The CHAIRMAN. That is what you had in mind when you referred to subsidizing the farmer?

Mr. GRAY. That is what we want to avoid.

The CHAIRMAN. How about the pool? Can the pool be accomplished voluntarily? Is that possible?

You made some reference to the pool. Can that be accomplished without legislation?

Mr. GRAY. The pool of wheat and other grain?

The CHAIRMAN. For any commodity?

Mr. GRAY. We think it can be accomplished without legislation, but we do not really know how it can be hastened or compelled by legislation. I do not know how you are going to compel farmers to go into a wheat pool or a cotton pool. It is a matter of education. I think pools can be built up. I think we have already built them up and they can be built up to act as a function in the type of legislation which we are hoping you gentlemen will report to the House.

The CHAIRMAN. Several efforts have been made to pool wheat, but they never got more than 50 per cent, and everybody has given up in despair.

Mr. GRAY. Largely because they did not have the finances. Under the plan we have considered and submitted Uncle Sam will furnish the finances and get his money back. Under the stabilization plan Uncle Sam furnishes the money, but whether he will get his money back depends on the profit in the matter. If you have a bad year Uncle Sam pays the bill.

Mr. KINCHELOE. Mr. Chairman, I only used a couple of minutes of my time, and I have overlooked a very important question which I would like to ask.

The CHAIRMAN. That can be done by unanimous consent. If there is no objection, you may proceed.

Mr. KINCHELOE. Mr. Gray, you suggested in your examination in chief that there was an effort being made upon the part of your organization and other farm organizations to get together and agree on some agricultural program to submit to this committee. Have you had any formal meetings looking to that end?

Mr. GRAY. We have had informal meetings.

Mr. KINCHELOE. Do you contemplate having any more?

Mr. GRAY. Yes; almost daily we are meeting with the other groups.

Mr. KINCHELOE. In those meetings are the representatives of The Grange, the Farmers' Union, and the Farm Bureau present?

Mr. GRAY. Yes.

Mr. KINCHELOE. The reason I ask you that question is this: If you will remember, when Mr. Taber testified before this committee last year, when we asked him finally why the organizations did not get together, and what the reason was, he said it was politics and selfishness. He said he had prayed over the matter and hoped they would get together.

Do you think it is probable that your organizations can get together and agree upon some concrete farm bill you would like to see passed?

Mr. GRAY. It is probable, but not assured.

Mr. KINCHELOE. Do you not think it would be better for the individual farmers if you farm leaders would get in a less prayerful spirit and become more conciliatory and get together and agree to something here at this time?

Mr. GRAY. Yes.

Mr. KINCHELOE. I hope you will do it.

Mr. MENGES. Mr. Chairman, I was out during the time Mr. Gray made his statement, but I would like to ask him one or two questions.

The CHAIRMAN. You can do that by unanimous consent. If there is no objection, you may proceed.

Mr. MENGES. Mr. Gray, has there been at any time during the agricultural depression such a condition during which if there had been a stabilization commission the surplus could not have been controlled by a stabilization commission?

Mr. GRAY. In what number of years? Will you specify the number of years?

Mr. MENGES. During this depression since 1920.

Mr. GRAY. Yes; there have been two or three occasions where stabilization corporations could not have controlled the situation unless you had been willing to go to the Federal Treasury for deficiencies in years operations, totaling as much as $500,000,000. One of them was in wheat in 1921 and 1922, and one was in corn two years later. A more recent one was in cotton in 1926.

The stabilization corporation would have fallen down miserably in those gigantic overproduction eras unless you had been willing, and the American farmer had been willing, that Uncle Sam would have borne the loss which annually might have been $500,000,000. But we are not willing, in agriculture, to put that burden on Uncle Sam.

Answering your question concisely, there have been periods since the war when stabilization corporations could not have done the work.

Mr. MENGES. If we had a stabilization corporation now, would it be possible to prevent such a thing in the future?

Mr. GRAY. I would say only partially. The stabilization corporation in my personal opinion will be very helpful where you have small or merely seasonal surpluses. But where you have a real surplus that is going to run over perhaps into the second year, in my judgment a stabilization corporation is impotent to cope with that real question unless you want to make Uncle Sam pay the bill.

Mr. ASWELL. May I ask just a short question?

The CHAIRMAN. We may have to invoke the rule here.

Mr. ASWELL. I ask unanimous consent to ask just one question.

The CHAIRMAN. If there is no objection you may proceed.

Mr. ASWELL. Mr. Gray, in view of all that has happened in the national conventions and the national elections, do you not realize that you are wasting your own time and wasting the time of this committee when you discuss the equalization fee now?

Mr. GRAY. I have not discussed it. I merely mentioned that we are standing for it.

Mr. ASWELL. You said you had not changed your position; you are still for it. You do not want any other plan?

Mr. GRAY. That is our position unless some other plan is better.

Mr. ASWELL. Do you not think you are wasting our time when you talk about the equalization fee plan here, after what has happened? Do you not know you are wasting your time?

Mr. GRAY. I have talked about plans which might add to the effective method of surplus control without subsidizing agriculture.

AFTER RECESS

The committee resumed its session at 1.30 o'clock p. m.

The CHAIRMAN. The next witness is Mr. John D. Black.

STATEMENT OF PROF. JOHN D. BLACK, PROFESSOR OF AGRICULTURAL ECONOMICS, HARVARD UNIVERSITY

Professor BLACK. My name is John D. Black, and I am professor of agricultural economics at Harvard University. Perhaps I ought to explain that I was reared on a farm in southern Wisconsin, was educated at the University of Wisconsin, and, before coming to Harvard two years ago, I was professor of agricultural economics at the University of Minnesota. I have worked on the problem of agriculture ever since I started in, and my purpose in coming down here to-day is to confer with you with respect to the whole problem of agricultural relief.

I want to start out by saying that I think it improper to describe the present situation in agriculture as prolonged agricultural depression, because the term "depression" has come to mean in the business world a period of deflation for a couple of years following inflation. What we have in agriculture is something more fundamental than that. We have a new level established since 1924, which is a relatively low level. There has been no improvement in agriculture since 1924; 1925 was the most prosperous year that agriculture has had since the war, and this present year is the nearest approach to it, but it is not as prosperous a year as was 1925. We have not made any advance of any significance since 1924. We, therefore, have to look upon it as having established our agriculture on a new level which is likely to persist for some time unless, of course, efforts are made to change the situation. The forces which are responsible for that condition are world-wide forces. There is a similar low level for agriculture the world over, and everywhere they are all talking about farm relief. That is because we are in a period of world overproduction in agricultural products. This period of large production started probably as far back as 1910.

Ever since 1921, there has been a 14 per cent increase in the volume of agricultural products in the United States, and there has been a similar increase of production in many foreign countries. That is the problem that we have to contend with. We can look forward to this present level continuing until world agriculture is readjusted to a volume of production proportionate to population. In the meantime, we shall have to exist on that basis in the United States unless we do one of two things—that is, manage to readjust our agriculture to this new situation by curtailing our own production and in various other ways, such as reducing costs, or by raising the price level of farm products in the United States above the world level. If we really want to accomplish anything that is of much

consequence, we probably shall need to do both of those things. I intend to discuss both of those things. The price-raising device or plan I shall discuss last.

First, I want to mention briefly some measures that would aid in readjusting our agriculture to world conditions. One of those measures is to help take some of our farm lands off the margin by a program of reforestation, and, I should like to add, by repasteuration. I believe that there is considerable land which has been put into crops which needs to go back into pasture just as some other lands need to go back into forests.

Secondly, there should be established a farm agricultural information service that will keep the agricultural interests of the United States fully informed as to the trend of agricultural development in foreign countries, so that we will know what competition we will have to meet, or what competition we can expect to meet. I know that a measure of that kind has been before Congress during several preceding sessions, but I must say that it was a puny little measure, and was of so little consequence that it never got anywhere. It never got anywhere because it could not get a favored place on the calendar. A measure of sufficient importance that recognized the importance of this proposition ought to receive a place on the calendar that would enable it to receive consideration at the hands of Congress.

The third proposition is the relieving of taxation on road building and rural education by further aid. I realize that this is more largely a problem of State aid than of Federal aid, but I must say that if it is left to the States, New York State will be very well provided for, while many States in the West and South will not be well provided for. We are, as a Nation, one large unit, and we have to look upon our program of road building, our program of rural health, and our program of rural education, as national programs. There are nearly twice as many children in the country as in the cities for every adult person. Our national program should be worked out on the basis of having the Nation, as a whole, participate in the education of its future citizens. I say, therefore, that it is more than a State program; it is a Federal program.

Next, I think we should strengthen the intermediate credit system. We set it up in 1923, and, at the same time, we took away considerable of its business by extending to the Federal reserve system the power to rediscount paper for as short a period as six months. As a result of that, and other things, the intermediate credit system has not functioned very extensively. The theory upon which that act was passed was that there is a kind of credit, with a period of somewhere between six months and three years, which calls for special treatment, and which country banks should not be allowed to handle by issuing a note and then renewing it if they feel like it, or if the conditions are such as to warrant it. If that theory is a sound one, then we ought to put the intermediate credit system into such a position that it will handle that kind of credit. Extending to the Federal reserve system the power to handle rediscount paper between six months and nine months took away from the intermediate credit system an important part of its business. In addition to that, the Federal reserve system—I am not criticizing the system for either of those things—has defined the purpose of short-time credit so

broadly as to take away from the intermediate credit system loans for farm machinery, loans for improvements, and for many other purposes which are distinctly of an intermediate credit nature, and which the country banks are able to handle because they do renew the notes. I think, also, that one of the difficulties of the intermediate credit system is that its business has not been pushed, because its administrators have taken the position that it should not take any business away from the country banks or any other existing agencies. Obviously, it will not make much headway with such a policy.

Next, I think we should strengthen still further the outlook work of the Department of Agriculture. I say that because it is the principal machinery we have in the United States at the present time for readjusting our agriculture to the changing economic conditions.

Lastly, we should assist agriculture by guidance or by education in cooperation. I am thoroughly convinced that one of the principal reasons why the cooperative does not function better is that the farmers of the United States are not sufficiently well educated with respect to it. A recent study made of the farmers in a region where one of our large tobacco-marketing organizations failed showed that only a very small per cent of them had any kind of impression of what the cooperative did. The cooperative exists where people have had experience with cooperatives. In some sections, as in Minnesota, where I had my own hard experience, most of the farmers belong to cooperative organizations. There, ninety-nine out of one hundred of them had had experience with cooperatives, and those cooperatives have been successful and effective. If you should go into some other counties in that same State, where they have had very little experience with cooperative marketing, two-thirds of them think it does not amount to much. Experience with cooperatives, or successful experience with them, sells it to the rest of them. We must educate our farmers in cooperation. We must assist them in their organization work, or help them to plan their organizations. We must do that by improving the credit facilities which we offer to them, and by rendering them more assistance in studying their business practices.

Under this same head, I would like to mention stabilization corporations, because I believe that it is in connection with getting agriculture organized that the stabilization corporation offers its greatest advantages. Yesterday morning, I discussed before the Senate committee in considerable detail what could be accomplished by means of stabilization. I have no intention of repeating before your committee my discussion there in detail, but I will summarize it by saying that the conclusion which I there presented is that the general idea that the cooperative by handling the carry-over of a large crop and selling it in the year following, can make money and support itself is without foundation and can not be substantiated. Any stabilization corporation which proceeded on that proposition would lose money year in and year out. They could make money in some years, but would lose in more years, and in the aggregate there would be a loss. More than that, the farmers themselves, years in and year out, would get lower prices for their products than they could get at the present time. That is contrary to some of the ideas which you have

heard presented. The reason for it is the relationship between the size of the crop and the price at which it sells.

A very short crop sells at a high price, and a large crop at a rather low price. Take off 10 per cent of a large crop, and it will raise the price a certain amount. Put that same quantity on the market the year following, when there is a short crop, and it will lower the price of the short crop more than it raised the price of the large crop, and therefore is a losing proposition.

Gentlemen, if you want to make this thing work out so that it will make the crop sell for more money, you must do just the reverse of that. You must take some of the short crop off the market and sell it in the year following, and you can sell it for more money. You can make money that way. But, gentlemen, that is monopoly practice. That is the way the monopolies do the trick.

It grows out of what I have just said; that the idea that a stabilization program or a stabilization corporation carrying on a program of that nature can make money and support itself is without foundation.

A program can be worked out for stabilizing income, so that the farmers this year and next year and the year following will get about the same total amount of money for their crop, regardless of its size. The machinery for doing that, of course, is to fluctuate the carry-over, such as is needed. I have worked out rather carefully the amount which the carry-over would need to have been increased or decreased from the year 1897 to 1927 in order to have stabilized the income of the cotton growers. I have found that in the period from 1897 to 1913 it would have cost the stabilization corporation and the growers together 2½ per cent of the value of the crop, or about half a cent a pound on cotton.

Obviously a stabilization corporation would not be self-supporting on that basis.

Now, I believe that a program of stabilization of that nature has much to recommend it. If you stabilize the income, you stabilize the acreage to a large extent. If you could prevent the expansions and contractions of the cotton acreage in the United States, you would easily reduce the average cost of production by half a cent per pound. The result would be that the farmers would get a little lower price for their cotton, but their costs would be a little lower and they would be as well off as at the present time.

There are many other interesting details of such a program which I do not wish to take the time to discuss. Obviously, however, if a program of stabilization were set up on that basis, funds would have to come from somewhere. The revolving fund would soon play out.

The idea of collecting a fee of a small amount from all the cotton produced and using that to build up a fund to stabilize acreage and stabilize income, which was included in the last McNary-Haugen bill, so far as cotton was concerned—I am not confusing this with the idea of the fee for export dumping; I mean the fee to collect money to assist in the program of stabilization of the marketing and production of cotton—would be, in my judgment, a sound economic procedure. The only question involved is the question of the administration of the task of collecting the fee and administering the whole act, the whole program.

Now, let it be understood that this is not a price-raising measure. It is stabilization of income measure, and a stabilization of production. If you want price-raising measures, you must do something which will raise the price of products of the United States above the world level; you must make the tariff effective. Now, I am not going to discuss with you the various plans that have been presented for that purpose. I have prepared a careful comparative statement of these plans, which I should be very glad to leave for your use, if you care about having it included in the record. I have included in that statement a description of a new plan which has not been presented anywhere except as you may have seen a description of it in the recent volume on farm relief published by the Annals. I shall describe this plan as a domestic allotment plan with transferable rights. It is not my plan. I included it in this analysis along with the rest because I wanted a complete picture of the various price-raising plans. When suggested to me it seemed to have certain important advantages.

Roughly speaking, it proposes to give to each county, each township, and even to each grower of wheat or cotton a certain allotment of wheat or cotton, a certain number of bushels of wheat or pounds of cotton, which he may sell in the domestic market at the world price plus the tariff duty. The rest of it he has to sell on the world market. The stimulus to increased production is therefore removed. There is no specific export bounty named, so that no foreign country can attack us as having paid an export bounty. There is no bounty on export production.

The plan has some very important administrative difficulties. The task of making the allotments is a very difficult task.

The other feature of this is embodied under the name "transferable rights." The idea is that the grower will receive his allotment before he plants his crop; that these allotments will be saleable; that he can turn them loose on the market and get his money for them as soon as they are issued. It actually provides production credit at the same time that it takes care of the problem of the expansion of production.

I have written out a rather full analysis of this plan. I wish that your committee could find some time to give it attention, and I offer it for the record, if you care to have it in the record.

Mr. Clarke. How extensive is it?

Professor Black. About 30 pages.

That is all I have to say, Mr. Chairman.

Mr. Larsen. Mr. Chairman, I heard Doctor Black in his presentation of this matter before the Senate committee, with the charts that he presented at that time. I heard some of his remarks, which I suppose referred to the matter that he has referred to to-day, and I think it would be highly beneficial if this statement to which he has referred could be incorporated in this hearing, and I move that it be incorporated.

The Chairman. Did you insert it in the hearings before the Senate committee?

Professor Black. I did; yes, sir.

The Chairman. And it will be printed there?

Professor Black. It will be printed there.

Mr. WILLIAMS. Mr. Chairman, will not those hearings be available to us?

Mr. LARSEN. Mr. Chairman, this will not be 30 pages in the record. It means that there are only 30 pages of the printed matter here. It will be probably 10 pages.

The CHAIRMAN. The committee will determine later whether it will be printed in our record or not.

The CHAIRMAN. Mr. Purnell.

Mr. PURNELL. No questions.

The CHAIRMAN. Mr. Aswell.

Mr. ASWELL. No questions.

The CHAIRMAN. Mr. Williams.

Mr. WILLIAMS. No questions.

The CHAIRMAN. Mr. Kincheloe.

Mr. KINCHELOE. I got here a little late. Did you say you were an economist from Harvard University?

Professor BLACK. Yes, sir.

Mr. KINCHELOE. You say there has been an over world production of agricultural products for how long?

Professor BLACK. It started probably about 1910.

Mr. KINCHELOE. And it has been going on ever since, every year?

Professor BLACK. Not every year, but the general trend has been definitely upward.

Mr. KINCHELOE. The average has?

Professor BLACK. Yes. The production of the United States has increased about 30 per cent since 1910.

Mr. KINCHELOE. I know that; but I mean the world production.

Professor BLACK. Rather generally; yes.

Mr. KINCHELOE. The reason I asked that question is that every economist that we have ever had before this committee since I have been a member—about 10 years—has agreed—and I think one of the greatest, whose name I do not recall; he was either from Chicago University or Northwestern University—but every economist except you since I have been here has agreed that if you take the food products the world over there is no such thing as a surplus over a period of five successive years. You do not agree to that?

Professor BLACK. I would say this: That over a period of years we use up somehow or other all the production which comes forth in various ways. Some of it is destroyed. Our consumption of wheat in the United States for feed purposes fluctuates from about 25,000,000 to 100,000,000 bushels, according to how cheap wheat is.

Mr. KINCHELOE. That is true; but I am talking about the world production. I just wanted to get your idea about it, because it is different from any that we have had since I have been here.

Professor BLACK. I did not say that the world production had expanded as much as the production of the United States.

Mr. KINCHELOE. I am not talking about expanding; but you do not agree to the proposition that, taking the food products of the world, there is no such thing as a world surplus over a period of five years?

Professor BLACK. I would say that that is a correct statement; that there is no such thing as a world surplus.

Mr. KINCHELOE. Have you been a student of the various agricultural bills that have been introduced within the last five or six years?

Professor BLACK. I think I have studied most of them; yes, sir.

Mr. KINCHELOE. Which one, in your judgment, is the most constructive from the standpoint of the general relief of the agricultural situation in this country?

Professor BLACK. I would say that for a program of a vigorous nature, which will undertake in the next four or five years to raise prices of farm products in the United States an appreciable amount, that some one or some combination of the various price-raising measures which I have described is necessary. I think that for some products, obviously, the tariff can be made more effective, such as flaxseed, wool, and sugar.

Mr. KINCHELOE. Or any other products of which we do not produce a surplus, of course?

Professor BLACK. Yes. For others, wheat and cotton, particularly, I think that the allotment plan with transferable rights will be most effective. For others I think the export debenture plan, straightened with respect to that feature of it intended to restrict expansion of production, will be most effective. I think it can be strengthened there, and, if so strengthened, is the most workable measure for pork products and for poultry products, and some others.

Mr. KINCHELOE. With reference to this allotment proposition, am I to understand that you mean by that that Congress would have the right to give the power to some board to say to the farmers of this country that they are going to allot them so many acres, as many acres as they can sow of each product each year?

Professor BLACK. No, sir. Say to the farmer, "You can sell 600 bushels of wheat in the domestic market at the world level plus the tariff duty; as to all the rest of it, you can produce as much as you want, but you will have to take the world price for it."

Mr. KINCHELOE. Suppose he would not agree to that; do you think there is any way to make him do it?

Professor BLACK. There is no compulsion necessary. The board issues the allotment to him, and he has the option between taking it or protesting that he has not received a fair allotment. The plan which I have outlined provides for the handling of such protests.

Mr. KINCHELOE. I understand; but you know we have a Constitution in this country that we have to pay some attention to. What I mean is, do you think Congress has the power under the Constitution to pass a law delegating that power to a board to say to me, as a farmer, "You shall sell so many bushels of your wheat at the world price plus the tariff, and you will have to sell so much in the world market," and that I will have to comply with that?

Professor BLACK. I do not know where the "have to" would come in on the matter. The only question would be with respect to his accepting the allotment. I will say that I think the Supreme Court of the United States is a realistic body, and would interpret this in terms of analogy with our protective tariff system and would find sufficient reasons for accepting it.

Mr. KINCHELOE. Then, in other words, to answer my question yes or no, you think that Congress has that power?

Professor BLACK. I think Congress has the power such as is necessary for this purpose; yes, sir.

Mr. KINCHELOE. Now, what do you think would be the result if the Congress should pass the McNary-Haugen bill as it passed at

the last session of Congress, with the elimination of the equalization fee, and with a revolving fund of three or four hundred million dollar out of the Treasury to help this farm board to function through agencies, preferably cooperative marketing, to take this surplus off the market and store it and feed it gradually through the world's market? Do you think that would be of any constructive help to the American farmer?

Professor BLACK. I said in the early part of my remarks that I believed that would be of constructive help to the American farmer; but we must not have exaggerated notions of what it will accomplish. In the second place, it will not be self-supporting. It will take funds to put over that program.

Mr. KINCHELOE. I do not think there is any doubt about that. Of course, I am trying to convey the idea of staying within the purview that we have under the Constitution. As to the relieving of taxes, of course, Congress would have no power to relieve the taxpayers of States. You spoke of roads there. Your idea is to make the ratio bigger than 50-50 under the bill on good roads, to come out of the Federal Treasury, and thereby relieve the States?

Professor BLACK. Not necessarily to make it more than 50-50, but to make more funds available for expenditure under the 50-50 arrangement.

The CHAIRMAN. You have used five minutes.

Mr. KINCHELOE. I say, that would come out of the Federal Treasury; it would have to?

Professor Black. Yes, sir.

Mr. KINCHELOE. All right.

The CHAIRMAN. Mr. Jones.

Mr. JONES. I am interested in your allotment program. To make it specific, you referred to the farmer being allotted, for example, 600 bushels of wheat, which he might sell at the world price plus the tariff. In other words, you would issue him a premium certificate which would entitle him to a premium on 600 bushels of wheat?

Professor BLACK. Yes, sir.

Mr. JONES. Where would you get the funds with which to pay that premium; from the Treasury?

Professor BLACK. No, sir; the price which will prevail in the domestic market for all wheat consumed in the domestic market will be that price; because the rest of it is exported out of the country.

Mr. JONES. That is what I was getting at. Suppose he produces an additional 600 bushels of wheat. Are you going to forbid him to sell that until this other amount has been bought, or how will you keep it from depressing the price?

Professor BLACK. He has these allotment rights to go with 600 bushels of his wheat.

Mr. JONES. Yes.

Professor BLACK. The buyer of that, the local buyer or the miller, purchases these allotment rights with it. The control of this is with the processor. The miller is required to show allotment rights for all of the wheat which he mills and sells as flour in the domestic market. The miller has to buy these allotment rights.

Mr. JONES. In other words, you would not permit any wheat to go into the domestic sales through the miller in the form of flour

until the miller had used up his percentage of allotment wheat; is that it?

Professor BLACK. He would have to show allotments. The miller would not be given an allotment. The farmers are given the allotment; but the miller has to show allotment rights for all the wheat which he mills and sells in the domestic market.

Mr. JONES. He would not be allowed to mill and sell any flour in the domestic market unless he did it under the allotment plan, then?

Professor BLACK. Unless he could show allotments for it.

I might say, with respect to that, that the plan calls for issuing allotment rights for an amount slightly under the domestic consumption; so that the miller, as the plan is actually worked out, would have to buy what are called revenue stamps at 42 cents per bushel on wheat, for the small amount of the difference. That would have the effect of keeping the allotment rights worth 42 cents a bushel.

Mr. JONES. You would have that apply to all millers, even a local miller?

Professor BLACK. To all millers; yes, sir.

Mr. JONES. But that would not apply to the sale of one farmer to another farmer?

Professor BLACK. It would not apply to that. That is one of the advantages of this plan; that it would not cover local sales.

I would say that this plan would not work very well with pork and other meats, because, after all, controlling the processor, the cotton spinner and the miller, is an essential feature of it.

Mr. JONES. You referred to the export debenture plan. For a long period of years England paid what they called an export bounty on wheat and some other commodities. At one time they paid a bounty on wheat when the price was $1.30 per bushel or less, and the bounty ceased when wheat got up as high as $1.45 a bushel.

Professor BLACK. Yes.

Mr. JONES. In other words, it only applied when there was a depressed price.

Professor BLACK. Yes.

Mr. JONES. Do you think that sort of a plan is workable; that that sort of limitation on the debenture plan would be practicable?

Professor BLACK. I think the statement that appears in the Jones-Ketcham bill with respect to that is a satisfactory control, except that it is not quite rigorous enough. I think if it said, "permit 5 per cent increase in production in five years," in place of "5 per cent in two years," that it would be rigorous enough, and would be effective.

Mr. JONES. You think that is a better method of limitation than a limitation such as I told you about?

Professor BLACK. I think it is; yes, sir.

Mr. JONES. That is all.

The CHAIRMAN. Mr. Ketcham.

Mr. KETCHAM. Just one statement with reference to the remark you made concerning the farm-surplus bill. You made some reference to the fact that you thought it ought to have a little higher recognition than a place on the calendar. I may state that the bill has passed the House of Representatives three different times, and if you want to exercise a little missionary work I will give you the

name of an individual of another legislative body with whom it might be well for you to communicate.

Professor BLACK. You need not name him. I know the gentleman.

Mr. KETCHAM. I am very glad to have your recognition of my bill.

Coming back to your discussion, I am very much interested in what you say with reference to lifting the burden of local taxation in the States as one of the greatest things that can be done to help the farmer, and particularly what you have in mind with reference to how the Federal Government may get into that field. Have you given that any thought, Mr. Black? What sort of a plan, if any, have you in your mind whereby the Federal Government may get into the field of education, if we ever do get in there, to lighten the burden of local taxation?

Professor BLACK. I have not given it very much thought. I am rather familiar with the means by which the States extend such aid to their poorer districts, and I could suggest nothing any better at the present time than to follow out somewhat the same plans that the States have followed.

Mr. CLARKE. May I suggest this right there? Under the Clarke-McNary Act, which establishes a reforestation policy, there is a provision which enables the tax experts of the country to also study the problem of taxation in its relation to reforestation. Why could not that same scheme be adopted here, for the Federal Government to study the processes of taxation? Not that they have any authority there, but under a like provision in the farm act?

Mr. KETCHAM. One other question. You spoke of some expansion of the intermediate-credits act. Have you any suggestion as to the way in which that may be made more helpful to the individual farmer? When we wrestled with the proposition the difficulty was found in the matter of responsibility. That is to say, the Federal Government did not want to make contact with the individual. That would require such a tremendous organization that it would be too expensive in its overhead to be carried out. Have you given that any consideration?

Professor BLACK. I think that a vigorous program on the part of the administration to establish agricultural-credit corporations would help very greatly in improving that contact. I think that the other methods which I suggested would make it necessary and desirable for the country banks to become a point of contact and to rediscount their paper with the intermediate-credit system in place of with the Federal-Reserve system, as at present.

Mr. KETCHAM. My understanding of the way it actually operates is that the setting up of the intermediate-credit system has possibly been an encouragement to the banks to retire in a measure from the very field which they occupied before we had any intermediate-credit situation. Is that true?

Professor BLACK. I do not believe I quite follow you there. I will say that they are still staying in the field of intermediate credit, and they are still making loans for intermediate purposes and renewing the notes, and if another agricultural depression came along we would have another period of frozen credits, but not so pronounced as before, because they are being rather cautious with respect to it.

Mr. KETCHAM. What I had in mind was this, particularly: In view of the fact that we had set up the intermediate-credits act, it is a very natural thing for the banks to say, "Here is a means by which you can obtain credit in the direction that you desire. Now, we are retiring from that field and going over into another field which to us is very much more promising, namely, the shorter loans." The shorter loans, of course, and the earlier maturities, are where the local banks make their money, by reloaning with interest.

Professor BLACK. I was not aware that they had made any shift for reasons of that kind. I think that they have made loans somewhat more cautiously than before, and particularly the kind of loans which require renewing.

Mr. KETCHAM. There is one other expression that I would like to have you enlarge upon for just a minute. You said, "Broaden the outlook work of the Department of Agriculture." You used that in a certain technical sense. What was the sense in which you used that word "outlook"?

Professor BLACK. Analyzing the situation as the years go by, each year, thoroughly and carefully, and indicating the readjustments which seem to be needed in order to make agriculture more prosperous.

Mr. KETCHAM. That involves an expansion of the research programs, and everything of that sort, so that they would be enabled to make a forecast of the outlook more accurately?

Professor BLACK. More accurately and more effectively, and would be able to speak more positively, and not have to hedge, as they have to do so much now, because their sources of information are not adequate.

Mr. KETCHAM. One additional question with reference to the fact that a stabilization program could not be carried out without loss. You were not here this morning and did not hear the question that I propounded, so I will repeat it. There was a statement made by the State statistician of Alabama to the effect that during the years 1913 to 1927, inclusive, in the cotton crop of the United States, all told, there were 8,000,000 bales more of consumption than there were of production, and that for each 5-year period there was more consumption than there was of production. If those figures are true, would it not be a fact that a stabilization program for that crop for those years would have been self-sustaining?

Professor BLACK. I would need to examine those statistics to see just exactly what they meant and how they were put together, before I would want to answer that question.

Mr. KETCHAM. I will refer you to those statistics, because I would like to have your opinion on the matter. They are from the State statistician of Alabama, Mr. Gist, and his statement seems to be worthy of some examination. I would very much appreciate your opinion on it.

Mr. NELSON. I have, Mr. Chairman, one or two questions I should like to ask. Doctor Black, I understand that the real object of the allotment plan, as you have explained it, is to create an artificial shortage of wheat, for instance, in this country?

Professor BLACK. In the sense that it would force out of the country the export surplus it would create such an artificial shortage.

Mr. NELSON. In other words, the result would be to increase the exportable surplus beyond the natural exportable surplus?

Professor BLACK. No; keep it where it is now, except for a very slight addition.

Mr. NELSON. But that slight addition would fix the increase in price; that is your thought, is it?

Professor BLACK. That is correct; yes.

Mr. NELSON. Then, really the prime object is to make effective the 42-cent tariff on wheat which is not now effective?

Professor BLACK. Absolutely; and this plan does it in a more direct sense than any of the plans that have been presented, with the possible exception of the McNary-Haugen arrangement.

Mr. NELSON. Just one or two other questions. You spoke, I believe, of 14 per cent overproduction in the United States.

Professor BLACK. Increase in production.

Mr. NELSON. Increased production, yes; for how many years—how many years does that cover?

Professor BLACK. Since 1921.

Mr. NELSON. Since 1921?

Professor BLACK. Yes.

Mr. NELSON. How much greater is that overproduction than the increase in population for the same period?

Professor BLACK. It is somewhat in excess of the population increase; only a little in excess.

Mr. NELSON. That was my thought; it is only a little in excess of the population increase; is it not?

Professor BLACK. That is correct; otherwise prices in this country would have subsided rather than held their own.

Mr. NELSON. One further question. You spoke of a new level in agriculture which is likely to persist for some time. Why do we have this new or lower level in agriculture and not in industry?

Professor BLACK. It represents the rate of production and the rate of consumption of agricultural products. As the population grows, there is an increased demand for and consumption of all classes of goods. The consumption of agricultural products can be only a little faster than the increase in population. If the standard of living is rising the consumption of manufactured products can be considerably faster. The larger our income, the larger the percentage of it we spend for other than agricultural goods. So that we can have, with a rising standard of living, and a rapidly increasing consumption of manufactured goods—automobiles and all sorts of things—only a slight increase in agricultural products.

Mr. NELSON. You hold that agriculture is on a permanently lower basis as compared with industry and that it will continue indefinitely on this lower basis?

Professor Black. Not indefinitely, because I fully expect that the effect of this present situation will be that agriculture will begin to contract here and elsewhere, and presently the situation will right itself in part, and we shall have agriculture on a better level. But it may be 20 years before anything effective along those lines is accomplished.

Mr. NELSON. Is it your view that we should hope to improve the condition of agriculture alone by increasing prices, or should we think also of decreasing the cost of production?

Professor BLACK. I believe very thoroughly in a program of decreasing the cost of production, but we must recognize all that is implied in that. Decreases in unit costs of production rather generally come about through increases in yield. Increases in yield mean larger production and larger production sells at a lower price; and frequently in agriculture the price is reduced more than the cost is reduced, with the result that the farmers are worse off than before.

A program of efficiency in agriculture must be very carefully considered in that respect. There are ways of reducing cost which do not increase production. There are ways of reducing costs which do. We must confine our efforts to those which do not increase production so far as possible.

Mr. NELSON. To cite a specific case. Last week from my own farm I sold some hogs at $11.65. The time was when that would have been a good price. But the cost of production of practically everything, as you know, that we produce on a farm, has greatly increased, as has the cost of living. Is it not true that farm prosperity is measured entirely by the purchasing power of the profit?

Professor BLACK. Yes.

Mr. NELSON. Not by the selling price?

Professor BLACK. That is correct.

Mr. NELSON. Thank you; that is all.

Mr. MENGES. If I understand your idea, the ultimate result of your theory would be to make this country an importing country of agricultural products, in order to make the tariff effective.

Professor BLACK. No, I do not believe that is my idea. I think that the time may come when we may buy more farm products than we sell farm products. We have done that in some years already, because we consume more tea and coffee and chocolate and bananas and other tropical fruits.

Mr. MENGES. But we do not produce those.

Professor BLACK. No. But I think we shall continue to have an export surplus in corn and cotton and a considerable list of farm products for a very long time. The facts of the matter are that the United States has within its boundaries so large a proportion of the best farming land of the earth that it is going to for all time to be one of the most important sources of food supply for other countries as well as for ourselves.

Mr. MENGES. Then there is no salvation in sight, according to your idea?

Professor BLACK. The mere existence of an export surplus does not mean a lack of prosperity. It is possible to make money producing for the export market.

Mr. MENGES. You say it is?

Professor BLACK. It is possible, yes, for farmers as for manufacturers.

Mr. MENGES. How do you explain that?

Professor BLACK. How do I explain it?

Mr. MENGES. Yes.

Professor BLACK. Because we have the best corn land in the world and the best cotton land in the world and we produce them most efficiently, and no other nation can compete with us in that production. That is how we do it.

Mr. MENGES. If that is the case and if we have all the good cotton land and all the good corn land, if we could make the tariff effective, we would make agriculture prosperous.

Professor BLACK. If we could make the tariff effective; that is correct. At the present time the tariff is maintaining industries in this country which can not stand on their own feet without that protection. We have some agricultural products which are produced on the same basis.

These plans for making the tariff effective in respect of products of which we have an export surplus are intended to add to the income of the producers of those products the same as of those who produce the deficit products. That is what they are intended to do.

Mr. MENGES. Do you not think that is legitimate?

Professor BLACK. I think it is legitimate; yes, sir. I think the time is past when the United States or any other country in the world is going to be content with a system which extends tariff subsidy to some of the producers and not to the rest. Producers the world over are interested in ways and means of equalizing the effects of the tariff. They are doing it in various ways in various countries.

Mr. MENGES. That is just the thing we are after.

Professor BLACK. Yes, sir.

Mr. CLARKE. I have two questions I would like to ask, Professor. In addition to the question of making the tariff more effective on farm commodities, I submit to you a map prepared in the Department of Agriculture, showing the different agricultural commodities that are produced, that are handled through supervised Government warehouses. They include grain, cotton, tobacco, canned foods, beans, dried fruit, sirup, cottonseed, peanuts, wool, cold-packed fruits, broom corn, and so forth.

It is shown by the records of the hearings of this committee that up to a billion dollars is loaned on these products. You will note that the map shows the nation-wide applicability, the general application of this to our farm commodities produced.

What would you say as to the soundness of the development of an enlarged program under the warehouse act for at least orderly assembling, more orderly marketing, either as individuals or as cooperatives, in helping to meet this farm-surplus problem?

And let me say this: That as far as many of these agricultural commodities now in supervised warehouses are concerned, it is shown by the testimony that they have borrowed money even as low as slightly under 4 per cent, through the intermediate credit banks and otherwise. What more facilities would you urge?

Professor BLACK. You have in mind now that this is a possible substitute for a stabilization program?

Mr. CLARKE. Is it not a stabilization program in and of itself?

Professor BLACK. It is if the producers of the products were to act in such a way as to accomplish a stabilization program.

Mr. CLARKE. Just there; that is the whole point, the whole crux of this farm problem, when they say that they can not get them into cooperatives or anything else. If self-interest will not drive the farmer into some sort of cooperative effort, how in the world can he expect the Federal Government to lead him into salvation?

Professor BLACK. I will say this, that the farmers of the United States are a large group of individuals who must be assisted in getting together.

Mr. CLARKE. Are we not assisting them in every way we can, through the Farm Bureau, the Home Bureau, the junior project workers, all the land-grant colleges, with the agencies and the information that they have? I do not think we go as far as we ought to in the matter of research work in our Agricultural Department; but are we not assisting them in every way?

Professor BLACK. We are, and I think that work along those lines is highly commendable and should be strengthened in every possible way.

Mr. CLARKE. Let us get right back to the application of this proposition here.

Professor BLACK. The intermediate credit system could loan money more freely than it is at present doing. The warehouse system could be extended, and if the producers of crops could be educated more thoroughly as to the economy of when to hold and not to hold, so that the rank and file of the farmers were in a position to make an intelligent choice along those lines, the thing would work out in a way which, in the end, will be most satisfactory. But the program of education of the farmers to that end is a 50-year program.

Mr. CLARKE. I know; I am a director of the Dairymens' League which does cooperative milk marketing in the New York milk shed.

Professor BLACK. Then you know the nature of the problem. New York has more educated and intelligent farmers than any other State in the Union.

Mr. CLARKE. I salute you!

Mr. HOPE. Doctor Black, if I understood you correctly, your idea is that no stabilization plan will result in any material increase in the price the farmer receives for his products over a period of years.

Professor BLACK. That is correct.

Mr. HOPE. The only thing that it will do to help him will be to give him a more uniform income during that time; am I correct in my understanding?

Professor BLACK. And along with that, stabilize his acreage so that he will not expand and contract and shift from one crop to another wastefully.

Mr. HOPE. That perhaps would lessen the cost of production.

Professor BLACK. Yes, sir.

Mr. HOPE. And all of these other matters that you have mentioned, such as reforestation and relieving the farmer of taxation on account of roads and education, and all matters of that kind, really go to the question of reducing the cost of production, do they not?

Professor BLACK. Yes.

Mr. HOPE. Rather than increasing the price. None of those suggestions will materially increase the price the farmer gets for his products.

Professor BLACK. No, sir.

Mr. HOPE. And your conclusion, then, as to what might be done to increase the price is that it can only be done through some artificial method such as the equalization fee, or the other plans, that you have mentioned.

Professor BLACK. Or the tariff.

Mr. HOPE. As far as the crops of which we produce a surplus are concerned, the tariff would not have very much effect.

Professor BLACK. That is correct.

Mr. HOPE. That is all.

Mr. BRIGHAM. As I understand it, you would divide the agricultural production of the United States into two classes; the first class would include those products of which we do not produce a surplus.

Professor BLACK. Yes.

Mr. BRIGHAM. And you think the tariff is an adequate remedy to take care of those products?

Professor BLACK. Yes, sir.

Mr. BRIGHAM. And the other class would be those products of which we have an exportable surplus.

Professor BLACK. Yes, sir.

Mr. BRIGHAM. And you think it is the duty of the Federal Government to make the tariff effective on those products?

Professor BLACK. I do.

Mr. BRIGHAM. And your methods of doing that would be the domestic allotment plan?

Professor BLACK. For certain products and the export debenture plan for others.

Mr. BRIGHAM. Could you, in a minute or so, name the products to which you would apply each of those methods?

Professor BLACK. Yes. I would apply the domestic allotment plan to wheat, to cotton, to certain canning-factory products such as peas and prunes, in fact to any product which is rather generally processed in factories or plants, or mills of some size, so that the machinery for control can be worked.

I would apply the export debenture plan to pork products, poultry products, and to a considerable list of miscellaneous products. I think the domestic allotment plan could be applied to oranges, if desired.

Mr. BRIGHAM. What about potatoes?

Professor BLACK. None of these plans will work for potatoes because we do not export them.

Mr. BRIGHAM. To be consistent, ought the Federal Government embark upon a policy of making the tariff effective upon every product on which a tariff is levied? So that the domestic price should be the world price plus the tariff for every product, whether agricultural or industrial?

Professor BLACK. Let me say, the tariff is already effective on potatoes in one year in three, by 50 cents a bushel, or nearly that much.

Mr. BRIGHAM. Take industrial products. I assume that there are some that are in as much trouble as agricultural products?

Professor BLACK. Yes.

Mr. BRIGHAM. You would apply the same principle to these industrial products as to agricultural products, and have the Government takes measures to raise their price in this country by the amount of the tariff?

Professor BLACK. I think to be consistent that is exactly what we would have to do. I do not like, to be perfectly frank, a program

of control—artificial subsidy and the like. I would prefer that we got along without anything like that, but we are definitely embarked upon a program of such control. Now, are we going to stop half way with it or go the whole road? I say the next move is to go the whole road.

Mr. BRIGHAM. And take every product, agricultural and industrial.

Professor BLACK. As rapidly as the machinery can be developed for doing it satisfactorily.

Mr. BRIGHAM. In reference to the question asked you by Mr. Ketcham, relative to the 15-year production of cotton showing an 8,000,000-bale deficit, that, of course, was on the basis of the prevailing prices. Assuming that you had had some price-raising scheme whereby the price of cotton had been raised, what would have been the effect of that? Would it not have resulted in an increased production of cotton, so that we would have had considerably more of it produced?

Professor BLACK. The domestic-allotment plan with transferable rights, which I have briefly outlined, prevents the expansion of production—I do not say prevents, but it takes away the stimulus to expansion of production.

The export-debenture plan, with rigorous checks, would have the same effect, so that I do not think either of these plans would produce very much expansion of production.

Mr. BRIGHAM. But a stabilization corporation which would result in raising the price without any brake on increase of production would result in increased production, would it not?

Professor BLACK. I do not think a stabilization program will raise the price, and therefore it will not increase production.

Mr. BRIGHAM. But if it did?

Professor BLACK. If it did, it would increase production somewhat; that is correct.

Mr. BRIGHAM. We have a great productive capacity in farm products that is not utilized at the present time, have we not?

Professor BLACK. We have; yes.

Mr. BRIGHAM. I traveled through the spring-wheat belt last summer and noticed a great many farms that were not being worked. Under your domestic allotment plan, assuming that some farmer wanted to lease some of that land and put it into wheat, would he be entitled to an allotment for that land which is now lying idle?

Professor BLACK. He would not be entitled to an allotment. The time might come when a revision of the allotments was necessary and desirable, when some farmer wanting to grow wheat on that land could obtain an allotment.

Mr. BRIGHAM. And the farmers now growing wheat would continue to grow wheat, but those who wanted to in the future, could not grow wheat because they could not get a domestic allotment.

Professor BLACK. They could do it by purchasing allotments from those who had received them.

Mr. BRIGHAM. But they would receive a lower price than those already in the business.

Professor BLACK. That lack of flexibility in this plan is one of its weaknesses, but there is much less inflexibility in this plan than in most plans of similar nature that have been advocated, because of the possibility of the buying and selling of these rights.

Mr. BRIGHAM. If a young man graduating from the North Dakota Agricultural College wanted to go into wheat farming and buy up some of these unused wheat lands, he could not get a domestic allotment.

Professor BLACK. That would be taken care of in a certain revision of allotments by farmers going out. As a matter of fact, the allotments are made to the farm and not to the farmers. All he would need to do would be to rent a farm or buy a farm which had an allotment and he would be taken care of.

Mr. BRIGHAM. If a farm did not have an allotment now, it could not have one in the future until such time as the board saw fit to give it one.

Professor BLACK. The moment you make it possible for new land to come into use to grow wheat, you provide for expansion of production.

Mr. BRIGHAM. The owners of the unused land would probably protest against such a scheme.

Professor BLACK. I expect they would.

Mr. BRIGHAM. That is all.

The CHAIRMAN. I understood you to say that the price can not be elevated or the tariff made effective without some expense.

Professor BLACK. I said that the stabilization of prices could not be made effective without some cost. I have attempted to distinguish between a stabilization-corporation plan which would stabilize income, but not advance the price, and——

The CHAIRMAN (interposing). If it advanced the price, it would cost some money, would it not?

Professor BLACK. The plans for raising the price by making the tariff effective would cost the expenses of administration and that is all, so far as the farmers are concerned.

The plans for making the tariff effective will cost the expenses of the administration of the plan. That is what it will cost the farmer. It will cost the consumer, of course, considerable.

The CHAIRMAN. It is just a question whether the Federal Government shall pay the bill or the farmer shall pay the bill, is it not? If it is going to cost anything, some one has got to pay it.

Professor BLACK. If you are referring to the stabilization plan——

The CHAIRMAN (interposing). You said something about the millers' plan, that is, the allotment plan. In the end it amounts exactly to the same thing as the equalization fee. The farmer sacrifices so many bushels to be sold at a lower price, but he sells the rest of his crop at the advanced price; as you say, the world price plus the tariff. Now, it is going to cost something if you take the world price plus the tariff, is it not?

Professor BLACK. But that is paid by the consumer.

The CHAIRMAN. I understand. What I was asking you was, can it be done without expense?

Professor BLACK. Not without cost to the consumer.

The CHAIRMAN. Then I asked the question whether Uncle Sam would pay the bill or the farmer.

Professor BLACK. Or the consumer.

The CHAIRMAN. Or the consumer. Of course, they may have to pay it, but they say they are willing to pay it. They have never quarreled with us about it.

Professor BLACK. I am merely trying to make it clear that under any plan for making the tariff effective the farmer is under no additional expense. The Government is under no additional expense, except the cost of administration. But under a stabilization program funds must be raised to make up the losses of the stabilization corporation.

The CHAIRMAN. You say that the farmer would sell at the world price plus the tariff?

Professor BLACK. Yes.

The CHAIRMAN. While another part of the crop would be sold at the world price, which would be so much below the world price plus the tariff. The only way is to equalize the prices, to make them all alike, is it not?

Professor BLACK. They would lose nothing. Here is a farmer producing 1,000 bushels of wheat. He has an allotment for 600 bushels. He sells the 400 bushels at the same price that he is selling them now for.

The CHAIRMAN. Let us be a little more specific. The normal production of wheat is about 800,000,000 bushels.

Professor BLACK. Yes, sir.

The CHAIRMAN. Six hundred million bushels can be sold in the domestic market.

Professor BLACK. Yes.

The CHAIRMAN. Two hundred million bushels have got to go somewhere out of the country.

Professor BLACK. Yes, sir.

The CHAIRMAN. And I agree with you in your statement that carrying over is expensive.

Professor BLACK. Yes, sir.

The CHAIRMAN. You are the first one that has appeared before this committee that has the correct idea about it, and I speak of it advisedly, because I tried it out for 40 years. I know I sold my oats last year for 39 cents. Now it is 36 cents. Carrying over is not a paying proposition. I have had to take issue with a number of those who have appeared here, but you have the right idea about that, so far as I can see.

The question is, if we are going to stabilize prices, are we going to give all of them the benefit of the advanced price, or are we going to have some of them selling on a world price and some of them selling at the American price level?

Professor BLACK. The idea is, here is a farmer who produces 1,000 bushels. He gets an allotment right for 600 bushels.

The CHAIRMAN. There are so many farmers producing 800,000,000 bushels.

Professor BLACK. Yes.

The CHAIRMAN. You are permitting them to sell 600,000,000 bushels, but they have to sacrifice 200,000,000 bushels.

Professor BLACK. Yes.

The CHAIRMAN. What are you going to do about that?

Professor BLACK. That will be sold at the same price that it is being sold for now. But the other 600,000,000 bushels are sold at that price plus the tariff, and each individual farmer has some

which he sells plus the tariff and some which he sells at the world price.

The CHAIRMAN. Do you believe it is possible to go to these farmers who are producing the 200,000,000 bushels of wheat that have to be sacrificed and say to them that they will have to contribute 2 bushels out of 8?

Professor BLACK. Contribute 2 bushels out of 8?

The CHAIRMAN. Yes; for export, as you say the millers are doing, as I understand you.

Professor BLACK. You would say, "If you want to grow these 200,000,000 bushels and sell them at the same price you are getting for it now, why, go ahead."

The CHAIRMAN. You have no control of production; all are agreed that you can not control production.

Professor BLACK. That is correct.

The CHAIRMAN. We are talking about a balanced production. How are you going to dispose of your 600,000,000 bushels? Are you going to give them an equalized price, an average price? Are we agreed that in order to be able to do that you have to pool all production—in order to equalize the price and give them all the benefit of it? Or are you just going to pass it out to a few and let a few get the benefit of it? Are you going to go to each farmer and say, "You raise 8 bushels. You have got to give away 2 bushels and sell 6 bushels on this allotment."

I approve of that plan if it is a workable plan, because it is the same as the equalization fee. It makes no difference, because the end is the same.

Professor BLACK. The effect is exactly the same.

The CHAIRMAN. You can take, if you like, the debenture plan. That works out just the same. Under the debenture plan, under your plan, and under what we call the equalization fee plan, the farmer would pay the cast of equalizing the price.

May I ask you this question? Are you for all of them receiving a portion of the earnings, providing that each man shall pay his share of the cost of equalizing the price and receive a proportionate share of the earnings?

Professor BLACK. I am.

The CHAIRMAN. Then we are absolutely agreed. That plan works as well as the other. It amounts to the same thing.

Professor BLACK. The difference between this plan and the equalization fee plan is that this does not involve the actual payment of an export bounty. It has that effect, but it is not paid.

The CHAIRMAN. But in the end they pay it.

Professor BLACK. Exactly, and that is rather an important consideration, because if you name a specific export bounty you put the foreign country in the position of raising the import duty. For instance, the United States has recently raised the import duty on Australian butter, and that is because the Australians have raised their rate.

The CHAIRMAN. The only difference between the two plans is that one would capture the money before it gets into the Treasury and the other is to pay it before it gets in. It comes out of it in the end.

Professor BLACK. The other difference is that the equalization fee plan paid this additional price equally on all the wheat produced. This plan pays it only on the part which is consumed domestically. There is no bounty on the export part to serve as a stimulus for further production. That is the important difference.

(The brief submitted by Mr. Fort follows:)

THE DOMESTIC ALLOTMENT PLAN

The essential principle of the domestic allotment plan is paying producers a free-trade price plus the tariff duty for the part of their crop which is consumed in the United States, and this price without the tariff duty for the part of it that is exported, this to be arranged by a system of allotments to individual producers of rights to sell the domestic part of the crop in the domestic market.

Two important advantages are gained by such a plan, first, the stimulus to further production for export characteristic of the other plans is largely, if not altogether, removed; and second, for this reason foreign countries can not object to it on the usual grounds of their objection to export bounties, or raise import duties to meet it as they can with a specific export bounty.

THE ALLOTMENTS

The most essential and probably the most difficult feature of the allotment plans is the determining of the allotment rights to individual producers. Following are discussed the various phases of it:

Size of total allotment.—According to the transferable-rights plan the allotment is to be a fraction less than the total consumption by domestic mills using wheat, less the wheat equivalent of wheat flour and other wheat products, both exported and imported. It would not include wheat used for seed or feed on the home farm or sold to other farmers for seed or feed anywhere in the United States. Keeping the allotments safely under the amounts used by domestic mills for the domestic market is an essential feature of both versions of the plan, but especially of the transferable-rights version of it. It will appear later that the latter plan would cause more high-quality wheat to be imported from Canada than at present, and the amount thus imported would have to be subtracted from the allotment; and, likewise, any possible imports of flour.

Who determines total allotment.—Department of Agriculture and Department of Commerce, or a committee consisting of one chosen by each and a third designated by the two.

Individual allotments, how made.—A. Have the Bureau of Crops and Livestock Estimates determine wheat "quotas" for each State, county, and township, using as a basis: (*a*) Reports in its files and in files of cooperating State agencies; (*b*) Federal census data for 1910, 1920, and 1925, including township summaries, which can be worked up by the Census Bureau at small cost; (*c*) State census data, where available. Yields are even more important than acreages. It is assumed that the yields of the three census periods combined with the data in the files of the crop-reporting service will furnish the basis for yield estimates that will be sufficiently close to the truth. The Bureau of Crop and Livestock Estimates is an important agency removed from any local influences, its men trained by experience in the making of objective decisions, and it has access to all the data available.

B. Have an allotment commission in each wheat-growing State which will be finally responsible for the individual allotments. Its personnel might properly include the following: The State commissioner of agriculture as chairman; the State statistician of the crop and livestock reporting service; an economic statistician, preferably from the State, but designated by the Federal Farm Board to be described later; a representative of the State tax commission since the tax rolls may need to be used in checking up the lists of producers; possibly a representative of the Federal farm-loan bank in the district, since it is highly probable that the information needed for allotment purposes could be highly useful to this bank.

This commission will have for its first task the collecting for every wheat grower in the State of the information as to his acreage, yield and production of wheat that is needed for determining his fair and proper allotment. This information is (*a*) Acreage of wheat planted and harvested on his farm in each

of the last five years (three years will do if necessary, but five or even more are desirable). (*b*) Yield for the same years. (*c*) Sales for the same years. It will be advisable at the same time to secure similar data for other crops and for livestock if there is a possibility that this or some related plan may be applied to them or that such information would be useful in forecasting production and in plans to stabilize production.

Several methods have been proposed for collecting this information, in the order of their preference as follows: (*a*) Making a canvass of all farmers in the wheat-producing areas. The objection to this is the expense. It would probably cost less than $100 per township if the inquiry were limited mostly to wheat. (*b*) Having all wheat growers report at a convenient point to register for their allotments and at the same time provide the supplementary information. (*c*) Handling this registration by correspondence. (*d*) Having all the wheat growers meet at the schoolhouse and publicly answer questions as to the foregoing. (*e*) If the act establishing this plan were passed after a crop were planted but before it was harvested, records of sales could be made by local elevators and used as a basis for next year's allotments. The objection to this is that one year's production is likely to be highly abnormal either as to acreage or yield. Hence supplementary information would need to be obtained by the local elevator, and this might easily be biased. Methods (*a*), (*b*), and (*c*), but especially the latter, should probably be followed with a publication of the information in local newspapers so as to give anyone a chance to protest. Also, it will be advisable to consult the records of local elevators and threshermen to obtain checks on the reports obtained from the individual growers, especially for the earlier years. A difficulty will be that in many cases the present grower will not have been on his present farm for five or even three years.

The State allotment commission will then determine according to some method which is as mechanical as possible the allotments for each farm, publish these in the local newspapers, and make adjustments when complainants furnish evidence that a mistake has been made.

To whom assigned.—To the person operating the farm for the year, or in the case of rented farms to landlord and tenant jointly. The allotments rights are the property of the farm, and not to be taken to another farm, except when sold in the manner indicated later. They are issued each year anew. This means that persons leasing farms must consider the allotment rights in the transaction.

Transferability.—The allotment rights are to be transferable. A farmer who has a very poor crop can sell them and realize a return from them which will compensate him somewhat for his loss of crop. Or if he wishes he can keep them, and thus have more allotment rights the year following. If he sells them this year, he can buy other rights the year following. In cases where farmers sometimes grow a small acreage of wheat and sometimes not, the rights may be all sold one year and additional rights bought in other years. If a whole area has inclination to grow less wheat in any year, there may be a surplus of rights in the area which will find a market in another area. It is thus expected that there will be a market for the rights in which they will sell for approximately the amount of the tariff duty—42 cents per bushel at present.

Not only are the rights to be transferable but transferable at once when issued. The grower receiving them can sell them in the market for rights and get his money for them at once. Probably he will be able to sell them at a local bank. They will always sell at discount any time before the end of the year, because they are noninterest bearing. They may thus become advances to growers before the planting season, which can be used in financing the growing of crops. The rate of discount will not be the rate prevailing at local points but at central financing points, where the rights will presently accumulate in quantity. The local banks can carry the rights themselves or have them rediscounted. The plan thus provides production credit, which will be of great aid to growers in many sections, and especially in the South, if it is applied to cotton. Growers not needing the credit, however, will probably not sell their rights, because they will be becoming more valuable as the harvest approaches.

It has been objected that persons receiving these rights may cash them at the bank and never produce the wheat. This is true. But if an owner does this, he will have no receipt of sales to show and he will presently have the allotment for his farm reduced. And apparently it will behoove the landlord to see that his tenant does produce a crop, since otherwise his farm will suffer

the same fate. It is for this reason that the plan suggested above of having the rights issued jointly to landlord and tenant, the landlord having a claim on them till the crop is delivered, would seem to be desirable. As before stated, leasing arrangements will need to provide for this new system of payment for crops.

It has also been stated that all that a farmer will need to do to avoid the penalty of loss of rights is to buy some wheat of his neighbor and deliver it. There are two answers, one that his neighbor will want to sell his own wheat so as to get credit for it on the records, and the other that the record made by the local buyer will always have to specify the land on which the wheat was grown.

THE PRICE MECHANISM

The device in the transferable rights plan for forcing the domestic price to the level of the world price plus the tariff is to require all processors of wheat to show the allotment rights above described, or revenue stamps at 42 cents a bushel, at present rates, for all domestic wheat milled and sold as wheat product in the domestic market. They will buy up the allotment rights as they are turned into the market by the growers and as they need them, as far as these are available, and buy revenue stamps for the rest, or, as explained later, they may import actual wheat, paying the 42 cents duty upon it. As the allotments issued will be in smaller quantity than the wheat products consumed domestically, there will always be some revenue stamps to buy, or wheat to import, and this will always force the value of the allotment rights to be approximately the same as the customs duties, except for the discount which they will be subject to prior to the final disposal of the crop, and except for one other important circumstance to be mentioned later. As customs stamps can always be bought for 42 cents, or wheat imported with that duty, the allotment rights will have that value as their maximum. As they will cost 42 cents whenever bought, the millers will always buy the allotment rights first, since these will be purchasable at a discount any time before the end of the year or until they are used up.

Since the millers will not buy rights or stamps for more wheat than they can dispose of as flour and other wheat products in the domestic market, the remaining wheat will have to seek another market, which will be mainly for export as wheat and flour, but to some extent as feed and seed for domestic use. The price of this wheat will therefore be determined by the export market. Special supply and demand conditions for feed and seed types of wheat may give these a price somewhat above or below the export level for milling wheat.

It is assumed that actual wheat moving in the market will be priced on the export basis for the most part; but that convenience in market transactions may induce dealers to buy rights or stamps and attach them to the bills of sale now used in the exchanges as evidences of ownership. Some growers may sell them with their grain at the local elevators. If so, then there will be grain both with and without rights being bought and sold in the exchanges, and quotations will be made accordingly.

If the rights or revenue stamps are not attached to the bills of sale earlier, then the miller will buy them and attach them. Bills of sale with rights or stamps attached will be the miller's evidence to public officials that he has in effect paid the 42 cents premium on the wheat.

It is expected that the market for rights will be somewhat speculative, actual prices of them reflecting credit conditions as well as supply and demand for rights themselves. A highly fluid market for these rights is much to be desired, and speculation will contribute to this fluidity.

The foregoing mechanism will leave the miller in a highly desirable position so far as securing the particular lots of wheat which he wants for milling. He will always be able to buy wheat and rights or revenue stamps separately.

As for imports, it is expected that it will be cheaper to buy domestic wheat than imported wheat in most locations because of the saving in transportation costs. The plan means that the same quality of wheat can be bought for the same price, 42 cents above the world price, in the two countries, except for differences in transportation and handling costs. The miller in Kansas City, for example, will not pay freight to Canada plus 42 cents for Canadian wheat when he can buy southwestern wheat for 42 cents plus freight from southwestern points. There will be some milling points, however, for which Canadian

wheat may have an advantage in location; Buffalo, for example. Any wheat which is imported by United States mills for reason of this kind, or the wheat equivalent of any flour, will have to be deducted from the total allotment of rights. It is difficult to forecast what amount might be imported under these circumstances, possibly as much as 25,000,000 bushels. Under the unusual conditions prevailing in 1920–1921, and with absolutely no duty on wheat, the imports were 58,000,000 bushels. The mills so located as to take advantage of this situation might expand a little at the expense of those not so situated. They could then mill a certain amount of Canadian wheat for the near-by domestic market as well as in bond for export.

If it proves advisable to stop imports of flour under these circumstances, it can be done simply by increasing the protective duty on the "conversion cost"—a practice, which, however, has some undesirable accompaniments.

Differences in quality of wheat may also become a reason for imports. It is expected that the mills wanting high-protein wheat will use up the domestic supply of this first, purchasing rights to cover it, but that as soon as higher-protein wheat can be obtained in Canada, they will prefer to pay 42 cents import duty on it to buy rights to use lower-quality domestic wheat. This may depress the price of the rights somewhat below the 42-cent level as long as the supply of rights lasts, or lessen the domestic premium on high-protein wheat, and even cause more high-protein wheat to be imported than at present if the millers have advantageous uses for it. Domestic wheat of any quality will always have the option of the domestic market over Canadian wheat of the same quality, except at milling points nearer to Canadian sources of such wheat; but if the domestic supply runs short or is of poor quality some year, imports will set in.

It might seem proper to some that the total allotment quotas and individual allotments be determined separately for the principal classes of wheat, since the domestic consumption of some varieties of wheat is much larger in proportion to their production in the United States than for other varieties. For example, only 4 per cent of the 1927 hard spring wheat crop was exported, compared with 16 per cent of all wheat, 27 per cent of the durum wheat crop, 32 per cent of the production of white wheat and 20 per cent of the hard red winter wheat. To differentiate in this way would assume that there is some special merit in producing a type of product of which we have a small export surplus, because of a limited a mount of suitable soil and climate, etc., as compared with producing one of which we have a considerable surplus, because of a large supply of suitable soil, climate, etc., which entitles the producer of it to especial consideration in a program of agricultural betterment. Most people will agree that there is no special merit in such production. (Those whose whole theory of agricultural betterment is self-sufficiency and production for home market only naturally will not agree.) Moreover, making this differentiation would probably cause wheat production to shift somewhat to the areas where the allotments were relatively large and thus disturb unnecessarily by artificial means a natural balance of wheat production according to types. The quotas would need constant readjusting, and other administrative difficulties would be increased. Equal percentage allotments would mean that all wheat growers would benefit equally regardless of type of wheat produced.

The arrangements for milling in bond and drawback could remain as at present.

BASIC ECONOMIC PRINCIPLES

The economic principles basic to the operation of this plan now begin to stand out. First of all, it is a plan which "makes the tariff effective" in a more direct sense than do the other plans. The allotment rights are worth an amount per bushel to the grower which exactly equals the amount of the tariff duty, except for the transportation and quality differentials above mentioned. The plan simply gives the tariff rate a chance to impose itself on the whole of the domestic consumption.

Secondly, it leaves commerce in the commodity on a free-exchange basis so far as transportation advantages and quality differences are concerned. Millers of the United States will be using more Canadian wheat from points nearer at hand and of the qualities they need; and in turn the nation will be exporting more wheat which is near to export points, or which is of export types and quality. The saving to the miller, to producer, and consumer from shorter

freight hauls and better choice of quality will amount to considerable in the aggregate, much more than most people suppose.

Third, it accomplishes this simply by passing on to the consumers the cost of the higher prices which the producers receive, just exactly as does any effective tariff. It is even like a customs system in that it collects revenue for the Government from whatever imports ensue. It differs from a system of customs duties in that it still permits transportation advantages and quality differences to be realized, and hence is not so destructive of revenues as are protective duties, nor as wasteful of resources through cross hauling.

METHOD OF FINANCING

One of the outstanding merits of this plan is that it would finance itself. The sales of revenue stamps would pay all costs and leave a balance for the Federal Treasury. Moreover, the increase in imports would add somewhat to customs receipts.

APPLICATION OF PLAN TO THREE WHEAT CROPS

Production of wheat in the United States for the three years 1925 to 1928 has averaged 793,053,000 bushels; production plus carry-over, 914,188,000 bushels. The disappearance as flour for domestic consumption has been 501,023,000 bushels; for seed, 88,000,000 bushels; for other uses, principally feed, 35,811,000 bushels. The equivalent of 34,000 bushels has been imported as flour, and 1,012,000 bushels have been imported as wheat not in bond.[1] Exports of wheat have been 121,965,000 bushels as wheat, and 56,162,000 bushels as flour, or a total of 178,127,000 bushels, including exports of wheat under bond. Imports under bond averaged 13,886,000 from 1925 to 1928, leaving net exports of 161,197,000 bushels.

If no increase in exports were to occur under the proposed plan, the allotment could be well toward 500,000,000 bushels, assuming that the present tariff schedule maintains. Subtracting 25,000,000 as possible imports under the plan, and allowing an equal amount as a margin of supply, would leave 450,000,000 bushels as the size of the allotment. If 40 cents were the average increase in price on the allotment wheat, the growers of a crop like that of 1925 would have received an average increase in price per bushel for all wheat sold for use in flour or for export of 26.6 cents. A comparable figure for a crop like that of 1926 would be 21.7 and for a crop like that of 1927, 20.6 cents.

If the imports of wheat could be cut in two by a scale of tariff duties according to type of wheat and protein content, the allotment might be raised 25,000,000 bushels and the above figures would be 28.1, 22.9, and 21.9 cents per bushel, respectively.

ADMINISTRATIVE PROBLEMS

The weaknesses in the plan from an administrative point of view other than those of making the allotments at the start, already described, are as follows: (*a*) Some growers may try to increase their allotment by falsifying reports and records. (*b*) Local buyers may not make purchase records with sufficient care. (*c*) Millers may conceal evidence of purchase of wheat and of production and sale of flour to brokers, etc., thus saving the 42 cents revenue stamp or the purchase of rights. Conceivably a grain dealer and miller might enter into a secret agreement to conceal a transaction; or a miller and dealer in flour. (*d*) Milling for local consumption in remote districts might develop to a small extent—"moonshine" flour might become a subject of conversation. The internal revenues have not caused troubles of this kind with tobacco, and they probably would not with wheat.

It does not seem that any of these difficulties are especially important in the case of wheat. Publicity of allotments will largely check the first two. Requiring the local buyer to make out his purchase record in triplicate as explained will largely handle the second difficulty. Bonding the millers and requiring uniform records and forms will largely control the third. It would

[1] Drawbacks were allowed on an average of 35,397 bushels and the equivalent of 5,124 bushels of wheat as wheat flour from 1925–26 to 1927–28.

hardly seem that any penalties are necessary except for the millers. If penalties for growers proved necessary, an appropriate penalty would be loss of allotment rights. The administrative machinery for enforcement of the plan would probably be the Bureau of Internal Revenue, which has already developed machinery for handling collections of revenue based on output in the case of tobacco, oleomargarine, and other products. Monthly reports would be needed in order to observe the operation of the plan. Examinations of records could be made less frequently.

With the size of the total allotment determined as indicated, the quotas by the Bureau of Crop and Livestock Estimates, and the individual allotments by the State allotment commissions, and with the supervision of mills by the Internal Revenue officials, there is little else for a central governing board to do except to analyze the reports and statistics of consumption carefully and observe the working of the plan and its administration in the various States. This, however, would be a highly important function. Such a board should also be given a few matters of major policy to determine, and certain authority over the allotment commissions and other agencies.

The principal expenses would be connected with making the allotments the first year and assembling the purchase records and summarizing them. This information, however, would probably be worth all it would cost for other uses, such as crop forecasting, etc. A small additional appropriation would need to be made to the Bureau of Crop and Livestock Estimates.

The act would best go into effect just at the end of a crop season. The mills would need to be required to show rights or stamps for wheat milled from the day the plan went into effect.

INSURANCE ASPECTS

The transferable rights plan, as already suggested, has some important insurance features. In the first place, any grower having a complete or partial crop failure will still have allotment rights to sell. Secondly, if the crop is large generally and prices low, the 42 cents added to his allotment part of it would cause a smaller proportional reduction in his price. The first is insurance against crop failure, the second against price decline. These are both illustrated in the following table in which four different combinations are assumed, a large United States crop and a large crop (8,000 bushels) for the farm in question, the same except a small crop (2,000 bushels) on the farm in question, and the same two crops on the farm in question in combination with a small United States crop. The grower's allotment is assumed to be 4,000 bushels, the effective tariff rate, 40 cents, and his average production 5,000 bushels with no change in acreage. The large and small United States crops are assumed to be the 1927 crop of 871,691,000 bushels and the 1925 crop of 676,429,000 bushels, respectively.[1] The price received by the farmer is taken as the average price received by producers December 1, 1925, and 1927, estimated by the United States Department of Agriculture. Expense data are read from the table presented in chapter 4.

A. *Small United States crop (1925) 676,429,000 bushels, at 141.6 cents per bushel*

	(1) At present		(2) Under proposed plan	
Size of crop on farm ... bushels	8,000	2,000	8,000	2,000
Sales value	$11,328	$2,832	$12,928	$4,432
Expense	3,960	3,660	3,960	3,660
Net income	7,368	−828	8,968	772
Ratio of net income to expense	1.86	−.23	2.26	.21

[1] Since the price level in 1925–26 and 1927–28 was practically the same and wheat production in the northern hemisphere only 3.6 per cent larger in 1927 than in 1925 the prices received by producers should reflect quite closely the effect of difference in United States production.

B. *Large United States crop (1927) 871,691,000 bushels, at 111.8 cents per bushel*

	(1) At present		(2) Under proposed plan	
Size of crop on farm......bushels..	8,000	2,000	8,000	2,000
Sales value........	$8,944	$2,236	$10,544	$3,836
Expense........	3,960	3,660	3,960	3,660
Net income........	4,084	−1,436	6,584	176
Ratio of net income to expense........	1.03	−.39	1.66	.05

These figures show clearly how insurance would be obtained when the grower had a short crop, whether the United States crop was large or small; and also against a general price decline in years when the United States had a large crop. Under present arrangements, a grower with a large crop sees his net income fall from $7,366 to $4,084 if the United States crop is large; under the proposed plan it would fall only to $6,584, if the grower disposed of his crops and rights in the usual way within the year.

If the wheat growers as a group were to sell their rights only, but hold various portions of their wheat until the year following, their gains and losses from this holding, considered by itself, would be the same as if there were no rights. They could not afford to hold their rights over until next year, because they would depreciate in value, just as wheat does when the new crop comes into the market; and, since about the same number of new rights would be issued each year, there would be no chance of the new issues having a higher value than the outstanding ones. Hence, so far as weather surpluses are concerned, the principal effect of the plan would be that growers having a large crop might carry some of it over and cover it with the rights of the next year, in place of growing new wheat. Anyone contemplating reducting his wheat acreage would surely do this. Others would fear the effect of this on the size of their next allotment, but perhaps a way can be found of allowing for carry-over in making the allotments. The other thing which the plan offers with respect to weather surpluses is the slight insurance against price decline already explained.

As to overproduction surpluses, the plan has the advantage of permitting a reduction within limits in the allotments as the production increases, and thus checking expansion, if this seems desirable. If the overproduction period is developing in an important foreign country, however, this may have a very feeble influence on the world-price level.

The principal way in which the plan may contribute to a more orderly marketing of the wheat is in the advancing of part of the value of the crop, thus making holding easier.

EFFECT ON PRODUCTION

The effect of the allotment plan on acreage and production has been much debated. One's first reaction is that when the producer realizes that he will receive 42 cents less per bushel for all wheat over his allotment, he will not increase his acreage, but may even reduce it. But it is argued, on the other hand, that the 42 cents is in addition to what is now inducing him to grow his present crop, and will make the income from the whole crop so much more, and hence stimulate further production. Which of these is the more nearly right answer does not depend upon what is the correct answer for the grower, but upon how the growers will reason or react about it. A more reasonable assumption is that the growers will think in terms of what it will add to their expenses and to their incomes to grow wheat not covered by rights. There are certain expenses such as for machinery and horses, and storage space on many farms, which the farmer has already made, or will have to make, in most cases whether he grows a fifth more or a fifth less wheat. Machinery wears out a little more rapidly with somewhat larger averages, but only a little. The growers will be inclined to overlook these costs and think of the costs that are more variable with output, such as gasoline, seed, twine, threshing, and harvest labor, and to compare these with the price for his wheat not covered by rights, and decide accordingly. Farmers

always think in these terms more or less. The effect of the allotment plan will probably be to make them think even more in these terms, just as protective tariffs have made our manufacturers think in these terms, and frequently sell goods abroad for less than the domestic prices so long as the prices abroad have paid the variable costs—those other than the fixed or overhead costs. Moreover, the extra income from the 42 cents on the allotted wheat will permit the growers to invest in more and better machinery, which will be a further reason for increasing production. The advancing of production credit at low interest rates in the spring which the transferable rights plan provides for will probably have a stronger effect than the allotment part of the plan. But it seems probable that all this influence together will not increase production greatly, and will certainly increase it much less than the export bounty and McNary-Haugen plans.

Moreover, most of the increase which will accompany such a plan can not be seriously objected to at home. The grower will realize in such a case that he is producing this extra output for the export market, to sell at export prices. If it is good economy for the manufacturers to practice such a policy, it is good economy for the farmer. The receiving countries, of course, have a right to legislate against it as dumping; and most of them do so legislate. But the dumping features of the allotment plan are not very important—much less important than those of the export bounty and McNary-Haugen plans.

An important feature of the transferable rights plan is that it will not raise the price of wheat to those who want to use it for feed or seed in the home country. All wheat will move in the channels of trade at regular prices until, and if, either rights or revenue stamps are attached to it. Feed wheat will never be so attached. The export bounty and equalization fee plans would raise the domestic price level, the latter by the full amount of the tariff duty.

If a tariff duty of 42 cents really made effective came to appear too onerous a burden on consumers, it could be reduced somewhat and still mean more to the growers than the present duty. This would also simplify the problem of enforcement by reducing the urge to concealment.

APPLICATION TO COTTON

In many ways the plan appears more applicable to cotton than to wheat. It would, of course, be necessary first to establish a tariff duty on cotton.

It might be advisable in establishing tariff duties on cotton to vary the rate according to the length of staple of the cotton. Otherwise, imports of the longer staples would be stimulated. The manufacturers would figure that, if they must pay import duties on cotton, they had better get the best grade they could for the money; and their reasoning would be sound. Combining the transferable rights allotment plan with the tariff duty would add a special stimulus to such imports because its basic principle of operation is to force exports out of the country to the point of raising the domestic prices the amount of the tariff. The exports forced out under such circumstances would be of the grades of cotton least desired by our cotton mills, and better grades could be imported instead if they could be found abroad, unless the tariff duty was scaled to prevent it.

If the tariff duty was a flat rate regardless of staple, the plan would slightly favor the development of forms of textile manufacturing in the North based on the use of imported staples. If it did, the South could well afford to overlook it in view of the great gain it would derive from the higher price for the cotton covered by the allotment rights. It might well be deemed good national policy to let the mills import the better grades. It would encourage the development of textile manufacturing using such grades of cotton.

Saving in transportation would figure less in encouraging imports of cotton than of wheat, because most of the competing supplies of cotton are at a considerable distance—not close like wheat in Canada. On the other hand, transportation costs are a smaller part of cotton value than of wheat values.

The great amount of cotton production by tenants and under crop liens will make especially important the matter of the person to whom the allotment rights are assigned. The arrangement previously suggested of assigning them to the tenant, but giving the landlord authority over them till the crop is delivered, and final ownership if the crop is not delivered, should work in this case the same as with wheat. But the matter must be handled so that the grower could get his production credit early in the season. This could be done by having the landlord make the advance to the tenant, which would

be without interest, because the landlord would be getting his interest out of the appreciating value of the rights as the season advanced. Or the landlord could instead assign his equity in the rights to a merchant.

The interest realized from the possession of the rights would be at low rates compared with those prevailing in the South; for reasons already stated, they would be the rates at which this form of paper would be actually discounted. If local bankers or merchants were to undertake to exact higher rates, agencies would at once develop which would be glad to handle this paper at regular rates. All owners and operators would be able to cash in on their rights at once at these rates, and landlords and tenants would manage between them to secure the regular rates.

It is highly probable that the cooperative associations would take advantage of this new production credit, and that it would assist them greatly in setting up agricultural credit corporations for their members and by reducing the necessity of large advances to growers upon delivery of the cotton to the pool. It would also solve in considerable part their difficulty of crop liens on members' cotton.

The production credit feature of the transferable rights plan as applied to cotton is of tremendous significance. Production of credit is more needed than anything else in the South. This plan provides a considerable amount of it with startling directness and simplicity, provided the allotment and other features of the plan are workable.

The insurance features of the plan will work out somewhat differently than for wheat because the United States produces so large a part of the world supply, and the curve of net income from the cotton crop slopes downwards rather than upwards. The table following parallels the one for wheat given earlier. An effective tariff duty of 5 cents a pound is assumed, 17,977,000 bales as a large United States crop and 13,628,000 bales as a small United States crop; and 6,000 pounds of lint cotton as a large individual farm crop, 2,000 pounds a small individual farm crop, and 2,000 pounds as the allotment to this farm.

A. *A small United States cotton crop (1924) of 13,628,000 bales at an average price to producers December 1 of 22.6 cents per pound*

	(1) At present		(2) Under proposed plan	
Farm production.......pounds..	6,000	2,000	6,000	2,000
Sales value..........	$1,356	$452	$1,456	$552
Expense..........	588	422	588	422
Net income..........	768	30	868	130
Ratio of net income to expense..........	1.31	.07	1.48	.31

B. *A large United States cotton crop (1926) of 17,977,000 bales at an average price to producers December 1 of 10 cents per pound*

	(1) At present		(2) Under proposed plan	
Farm production.......pounds..	6,000	2,000	6,000	2,000
Sales value..........	$654	$218	$754	$318
Expense..........	588	422	588	422
Net income..........	66	−204	166	−104
Ratio of net income to expense..........	0.11	−.48	.28	−.25

With a short crop in general and high prices, the plan would insure the farmer against loss to the extent of $25 a bale on the 4-bale crop assumed as a short crop for him, but would add only $8.25 a bale to the price of his crop if he were so fortunate as to have a 12-bale crop on his farm. The price of cotton falls so low when there is a very large crop that even the help obtained from the plan would not prevent a loss if an individual grower happened to have a poor crop that year.

The plan may increase production of cotton more than of wheat because of the greater significance of the credit advance at planting time. It may cause more fertilizer to be bought, and in later years, more machinery. Cotton labor is more largely family labor, which partakes of the nature of fixed costs.

Since our own production is so large a part of the total, reducing the allotments would no doubt have a significant effect in checking increase in cotton acreage if a period of overproduction surpluses threatened.

Cotton production has been shifting rapidly of late; and if mechanical picking develops in the near future, the shifts will be even more pronounced. Unless the allotments are carefully handled, this shifting may be hampered somewhat. In general, however, the transferability of the rights takes care of this difficulty.

Most of the other administrative features of the plan will be as easy to handle as for wheat. There will be fewer small mills to supervise, and there will be no uses of cotton comparable to those of wheat for feed and seed. The checking of purchases of cotton against output of cotton products at the mills will be more difficult. The separation of the manufacturing operations between spinning, weaving, and clothing plants further complicates the same problem. The plant which converts the raw cotton into its first product is probably the only one which will need to be supervised. But some mills carry the product through two or three stages. Computing the raw cotton equivalent of imports of cotton goods would be difficult; but high accuracy is not needed for this—the safety margin can be made large enough to cover possible errors.

SUMMARY—ADVANTAGES AND DISADVANTAGES

As compared with the other plans based on the export surplus, the domestic allotment plan has the following advantages when applied to wheat and cotton:

1. It would stimulate less increase in production—and what it did stimulate would be upon a better economic basis.
2. It would provide an important source of credit for production and marketing at a low rate of interest.
3. It would provide some insurance against crop failure and price decline from large crops.
4. The raw product would move into the channels of trade at regular world price levels except for transportation and handling differentials.
5. As a result of the above domestic users of the product for feed and seed would not pay the import duty; and users of the products resulting from the use of the feed would escape the import duty effects that would arise therefrom.
6. It would interfere much less with trade movements as to volume, types of product, and direction than the other plan. It would be less objectionable to importing countries of our products. So far as the exporting countries are concerned, it would be preferred to our import duties. It would hurt the Canadian farmers less while helping our own farmers more.
7. The plan finances itself and may yield a considerable revenue to the Government besides, at no more cost to the consumer than the equalization-fee plans; but at somewhat more cost to the consumer than the export-debenture plan, if the consumer under the latter plan did not have to pay other sorts of taxes to compensate for the drain upon the revenue of the Government.
8. Applied to wheat and cotton it would be more difficult to administer than the equalization-fee plan only as to the making of the allotments; and probably easier than the fee plan in some other respects. It would be much more difficult to administer than the export-debenture plan.
9. The principal argument against it, aside from the general argument of raising the cost of living, is the difficulty of administration of the allotments and the invasion of the private business of the processors and a certain amount of nonenforcement. The substitution of somewhat arbitrary control for more or less free determination of production may also appear as an objection.
10. The fact that it can probably be applied to only two major products at this time at least will be counted an objection to it. The Corn Belt farmer will want to know how he will benefit from it. One answer is that the tariff system reaches some of the products, that this covers two or more of them, two very important ones; and that some way will presently be found to provide for the rest.
11. A related objection will develop when some of the farmers not now growing wheat will want to grow it and will ask for an allotment. They will consider that giving an allotment to a neighbor just because he was growing some wheat at the time is not equitable treatment.

Plans for Raising Prices of Farm Products by Government Action

The intent of this discussion is to analyze and compare the various plans that have been proposed in this country for raising the prices of farm products by Government action. The first of the suggestions of this sort were of the nature of simple crude price fixing, no doubt suggested by the price fixing activities of the Government in war time. They sprang up in the dark days of 1921–22, largely as emergency measures. They stopped coming partly because prices of farm products improved somewhat and partly because the authors came gradually to realize all their implications. Then came the McNary-Haugen plan, first introduced into Congress in January, 1924; then the Noyes excise bounty plan which never received much consideration; then the export debenture plan introduced into Congress in 1926 as the McKinley-Adkins bill and later in 1928 as the Jones-Ketcham bill. Dr. W. J. Spillman published his "limited debenture" plan in January, 1927. Lastly came the domestic allotment plan with "transferable rights," described above and the export bounty plan for butter now in force in Australia. The intent of all of these is to raise the prices of farm products by "making the tariff effective" on products of which we have an export surplus. They differ from the valorization plans in use by other countries for coffee, rubber, sugar, and sisal in that there is no attempt at an export monopoly. None of these products is localized sufficiently within the boundaries of the United States to make an export monopoly feasible. Cotton represents the nearest approach to this.

Combined with the price-raising features of the two plans which have been introduced into Congress are provisions for loans to cooperatives, insurance against price decline, stabilization corporations to buy, store, and sell farm products in order to prevent undue decline in prices in the marketing season, and other related features. In the last McNary-Haugen bill, the term "equalization fee" was extended to cover assessments on producers to collect funds for orderly marketing. It is not my intent here to discuss any of the supplementary features of these plans.

OPERATING PRINCIPLES

Equalization fee plan.—The essential idea of the equalization fee plan is the raising of the price of the product in the domestic market by contracting with exporters to sell enough of the product abroad at world prices to make the tariff effective and reimbursing exporters for the difference between their buying and selling prices out of funds collected from the producers in the form of an equalization fee. Since this fee is collected on all the crop, and losses are suffered only on the export part of it, it need be only a fraction of the import duty. The ratio of exports to the size of the crop will determine the size of this fraction. This can be illustrated in the case of wheat. If 200,000,000 bushels must be exported out of an 800,000,000-bushel crop and a 600,000,000-bushel sale, the remaining 200,000,000 bushels being used as seed and feed, then 600,000,000 bushels must carry the loss of the 200,000,000 bushels sold abroad at a deficit of 42 cents a bushel, the existing tariff rate, or a total of $84,000,000. The amount of the equalization fee under these assumptions would be 14 cents per bushel, leaving the growers a gain of 28 cents per bushel, not allowing for costs of operation of the plan. The fee is to be collected on wheat exported as flour as well as upon wheat itself, and in the last McNary-Haugen bill on wheat and flour imports. In its later forms the plan provided for collecting the fee from exporters and millers and transportation agencies if necessary. The amount of the fee must be announced in advance of the marketing season. Millers and other buyers of wheat would therefore reduce their bids by the amount of the equalization fee. The consumers would pay the full amount of the duty.

The export debenture plan.—The essential principle of the export debenture plan is the paying of a bounty on farm products in the form of negotiable instruments called debentures which can be used by importers in paying import duties. The price of domestic farm products would be raised to the extent of the bounty, likewise prices to consumers. The revenues of the Government would be reduced by the amount of the export debentures issued. The maximum height of the export bounty is the import duty, otherwise a return flow of the product would set in.

In the Ketcham bill the export debenture rates set up were one-half of the existing import duties, except in the case of tobacco, where the rate is 2 cents

per pound for all types of tobacco, and in the case of cotton, whose rate was 2 cents per pound.

Prof. Charles Stewart, of the University of Illinois, who called this plan to the attention of Members of Congress, obtained his suggestion for it from the import certificate plan in Germany, where it is applied to products of which the country has a domestic deficit and upon which import duties are effective. The purpose of it is to offset the effects on the distribution of internal production of import duties. Before the duties were levied on wheat in Germany the producers in eastern Germany exported their wheat through the Baltic ports and received Liverpool prices less costs of transportation. The millers in eastern Germany paid Holland prices plus costs of transportation. When the tariff duty was imposed, prices rose in western Germany by the full amount of the duty, but not so in eastern Germany. This situation was remedied by issuing import certificates on exports of wheat of eastern Germany, which were sold to the importers in western Germany. This had the effect of reestablishing the former set of territorial price relationships within the country.

The excise-tax export-bounty plan.—This plan was presented before the agricultural committees of Congress in the winter of 1926 by C. R. Noyes, at that time president of the St. Paul Civic and Commerce Association. Mr. Noyes's idea was to get his plan accepted by the Republican Party and thus save it from alienating the support of the agricultural interests in the Northwest. It probably was in connecton with this plan that Vice President Dawes became converted to the idea of assisting the farmers by some form of Government price raising. The essential feature of the Noyes plan was to collect a sales tax from the farmers on all wheat, corn, hogs, and cattle sold by them and use the income thereof to pay an export bounty approximately equal to the tariff duty. The farmers were to pay the excise tax by purchasing tax receipts at the local post offices and delivering them with their product to the local buyers. All transportation agencies would be required to show these receipts along with their documents to a representative of the Internal Revenue Department stationed in the central markets before they could release the product for sale or storage. The price in the domestic market would rise the full amount of the export bounty, the farmers already having paid the tax. The net returns to the farmer would be the same as under the equalization-fee plan, except for possible differences in costs of operation. The principal advantage claimed by Mr. Noyes was that having the Customs Service arrange the exporting by the simple device of paying a bounty on it was a simpler and more direct procedure than that set up in the McNary-Haugen plan.

The Australian butter-stabilization plan.—This is also known as the Paterson plan, after the name of its author, Mr. T. Paterson. It went into operation on January 1, 1926. It operates like the Noyes plan, except that the tax is collected from the creameries instead of from the farmers, and the bounty is paid to the exporters by the stabilization committee which has charge of the administration of the scheme. This procedure is possible because fully 90 per cent of the butter in Australia is manufactured by cooperatives, and all of the cooperatives have combined to put the plan in operation. Creameries refusing to join the scheme are threatened with boycott by the farmers. The plan is essentially a cooperative monopoly, but it has been authorized by the Government, and in order to make it work successfully the Government has had to raise the duty on butter to 12 cents per pound, in order to keep out imports from New Zealand. Only about one-fifth of the butter production of Australia is exported. The bounty paid at first was 6 cents per pound. On January 1, 1929, it was raised to 9 cents per pound. The tax collected during the first year was 3 cents per pound, but 1 cent of this was afterward returned. It has raised the price of butter in Australia by the full amount of the export bounty.

The domestic allotment plans.—The essential principle of the domestic allotment plans is paying producers a price plus the tariff duty for the part of the crop which is consumed in the United States and a price less the tariff duty for the part of it that is exported, this to be arranged by a system of allotments to individual producers of rights to sell the domestic part of the crop in the domestic market. The object of this arrangement is to remove the stimulus to expansion of production involved in all of the foregoing plans. Any additional production which any grower undertook would have to be sold at the export price level.

Under Doctor Spillman's version of the plan the device for raising prices is an export bounty, and the funds for this are raised by requiring the local buyer or the growers of the product to buy "debentures" for the full amount of the

bounty on all of the product purchased from local agents of the "commission" in charge of the plan. The rest of the funds collected are to be paid at the end of the year as a bonus to the individual farmers according to their allotments. It is Doctor Spillman's idea that the bounties paid will be something less than the import duty prevailing. The individual allotments are to the farms, and not to the farmers, and are for an unchangeable amount of product. He considers this necessary in order to prevent any expansion of production.

Under the transferable rights version of the plan, no export bounty is paid, but the producers are required to show allotment rights or internal-revenue stamps costing the full amount of the tariff duty for all product used in finished product sold in the domestic market. The individual allotments are to be issued before the planting season and in quantity something less than the domestic consumption. The processors will therefore always have to buy revenue stamps for some of their consumption. This will make the allotment rights always worth the amount of the tariff duty. An essential feature of this plan is the transferability of the allotment rights. The growers may discount them at a local bank as soon as they receive them, and thus obtain an advance which may serve as production credit, or the growers may instead hold their rights until they deliver their product to the local buyer. The processors will procure the necessary supply of rights either when they purchase their grain or in the open market for them which will necessarily come into existence. There will thus be product moving through the channels of trade both with and without allotment rights attached, with their price levels differing from each other by the amount of the tariff duty. If the farmer has a crop failure, he will have his rights to sell, and this will constitute some measure of insurance. If he does not care to grow any of the crop in any given year, he can sell his rights to others. This will make possible the shifting of crop production, which is impossible under Doctor Spillman's plan. The rights will be reissued each year. Local buyers will make out receipts in triplicate when the product is delivered, one copy going to the grower and another to the allotment commission. These receipts will become the basis for not reissuing rights if a grower does not produce any of the product for a few years, or for reducing the amount of them if his production is declining. The rights will be issued to the operator of the farm rather than to the farm, but jointly with the landlord in case of rented farms.

An earlier version of Doctor Spillman's plan required the local buyer to pay the grower the amount of the tariff duty on all the products he could show allotment rights for and to pay the commission the same amount on the rest, this latter to be used to pay an export bounty at the same rate. Under this arrangement the grower would have received his extra price upon delivery of his product, rather than as a bonus check at the end of the year.

Obviously, the most difficult feature of these plans is the determining of the individual allotments. The above statement of the calls for having county and township quotas determined by the Division of Crop and Livestock Estimates of the Department of Agriculture on the basis of township average acreages and yields obtained from Federal and State census records and also the records in its own files, and the making of individual allotments on the basis of assessor's annual reports where these are available, and otherwise on the basis of a special census which would cost about $100 per township, or on the basis of a registration which would be required of all farmers considering themselves entitled to an allotment. The allotment list would be published locally in tentative form in order to give anyone a chance to protest.

DETAILED COMPARISON

Under the transferable rights plan, the grower will receive his extra price at the beginning of the planting season so that it may serve as a partial advance of production costs. Under the equalization fee, export debenture and Noyes and Paterson plans, the farmer will get his extra price when he delivers his product; under the Spillman plan, as a bonus at the end of the year. The first plan is clearly superior to the others as to this feature. The advance of production credit which it makes possible is highly important. There are pronounced psychological and other objections to the payment of a bonus at the end of a year.

Under the equalization fee plan, the Australian and Noyes plans and the Spillman plan, it is necessary to estimate the amount of the probable exports in advance of the crop or production year in order to collect the necessary

fees or taxes to pay it. This makes it necessary either to collect large fees in order to be safe, and return the excess at the end of the year, or to build up a reserve. This is not a serious problem.

Under the equalization fee and transferable rights plans, the producers must necessarily receive as extra price the amount of the import duty, less the deficiencies in price on the export part of production. Under the other plans it is the export bounty less the deficiencies on the export part of the production which determines the level of prices which the producers receive, and the export bounty can be for an amount less than the tariff duty. The first two plans are therefore more clearly designed simply "to make the tariff effective," using this expression in the somewhat special sense above defined. With all the plans, except the export-debenture plan, the increase in price to the domestic consumers will be the extra price which the producers receive plus the tax or fee which goes to pay the export bounty. The export-debenture plan draws upon the Federal revenue from other imports to pay the export bounty. All of these plans, except the export-debenture and transferable-rights plans, are able to finance themselves simply by adding the expenses of operation to the fee or tax. The latter plan will provide its expenses of operation out of the sale of internal-revenue stamps.

Although for the same amount of increase in price to producers, the export-debenture plan will not raise the price of the product to consumers as far as will the other plans, the Federal Government will have to make up the loss in revenues resulting from it by some form of taxation, probably either income taxes or higher import duties. In its present state of mind, Congress might choose the latter procedure, which would leave the consumers worse than under the equalization fee and related plans, since import duties almost always cost the consumers much more than the revenues which the Government collects. This is especially true of very high import duties, such as these would have to be. If the lost revenue could be recovered from Federal income taxes, the rank and file of the consumers would be better off with the debenture plan than with the other plans.

All of these plans except the export debenture plan requiring making collections on the product somewhere in the channels of trade, which is a pronounced disadvantage.

The Noyes, Australian, and equalization-fee plans require collecting only the amount of the fee or tax, whereas the Spillman and transferable-rights plans require collecting the full amount of the increase in price, the former on all produce delivered, the latter on that part of it which goes into domestic consumption. The larger the amount collected, the more incentive to evasion.

The Noyes plan proposes to collect from the growers themselves; the Spillman plan from the local buyers; and the equalization fee and transferable rights plans from the processors and exporters. The Australian plan collects from the growers' cooperative processing companies. Collecting from processors and exporters is undoubtedly better than from farmers and local buyers.

Under the transferable-rights plan, produce will be moving through the channels of trade at two price levels, one domestic and the other export. This is ordinarily considered a disadvantage, but it would seem that the distinction between these two classes of product, one having rights attached and the other not, would prevent any confusion and tendency for the price levels to merge. Under the export debenture plan, the produce will move at one price, which will be the normal export price plus the amount of the export bounty. This would also be true of the Noyes and Australian plans. With an equalization-fee plan in operation, the raw product would move in the channels of trade at a price including the tariff duty less the equalization fee. The manufactured product would include also the amount of the fee.

The transferable-rights plan has the advantage in the respect that other farmers will be able to obtain the product for feed and seed and other farm and family uses at an export level of prices. One of the charges in the veto messages against the equalization-fee plan was that it would penalize the farmers in deficit-feed areas, particularly the dairy and poultry farmers in the East.

Taken by itself without any appendages, the export debenture plan would stimulate production the most. There seems to be little doubt that it would stimulate production. The export bounties could only be applied to crops of which there is an export surplus, and these would surely expand at the expense of the others. The data of the Department of Agriculture indicate at least a 14 per cent increase in agricultural production since 1921. Our agriculture and

world agriculture seem at present to be in the midst of another period of growth. The bounties provided in the Ketcham bill would result in more intensive culture and heavier feeding of livestock on a great many of our farms, and in taking new land into farms or restoring a certain amount of abandoned land to farm use. Although the duties set up in the Ketcham bill are not adequate, it is possible to set up such checks under the export debenture plan. If the export bounties were cut in half, if the acreage of crop or production of livestock expanded 5 per cent in five years, the bounties would cease to operate as much of a stimulus.

The equalization-fee plan and the Noyes and Australian plans would have appreciably less effect on volume of production because equalization fees or taxes would rise somewhat as exports grew. Increasing our wheat production from 800,000,000 to 1,000,000,000 bushels would increase the equalization fee by 7 cents per bushel, but it would still leave a bounty of 21 cents per bushel. A production of 1,200,000 bushels would leave a bounty of 17 cents per bushel.

The provision in the last edition of the McNary-Haugen bill for checking expansion may be adequate under wise administration, but it has not usually been so considered. Neither the Noyes or the Australian plans contain any provision for controlling the expansion of production other than that of the increase in the fee or tax that would result; but no doubt such a feature could be added to them.

The domestic-allotment plans would undoubtedly stimulate the least expansion of production. This is the principal object of the system of individual allotments. Professor Stewart's objection to Doctor Spillman's plan does not apply to the other domestic-allotment plan, since under it the farmer is free to sell his allotment rights and get his full share of the domestic premium whether he has a short crop or not. On the other hand, it is probable that the advancing of some of the production costs made possible under this plan might induce the growers to buy more fertilizer and seed and hire more labor and thus expand production. It might also get the growers into the habit of considering their allotment of the product as properly standing all of the fixed costs and balancing only the variable costs against the production for export. Just as manufacturers in this country do under the protective-tariff system. But expansion of production which takes place on this latter basis is not particularly objectionable from the standpoint of either individual or national economy.

The lack of flexibility in the Spillman plan is usually considered a very serious criticism of it. With agriculture in a constant state of flux as in the United States, as a result of the increasing use of machinery, substitution of gas power for horses, changing foreign competition, changing domestic consumption and the like, any plan which ties the producers to the same products as now is to be condemned. The other domestic allotment plan is largely saved from this criticism by its provision for transfer of allotment rights. Even with this plan, however, some arrangement for revision of allotment rights seems needed. This would be difficult to arrange without some stimulus to production.

Obviously any one of these plans involves introducing an artificial element into the distribution of production. This will be especially true if the premiums apply to only a few of the products. If there is a complete schedule, as proposed in the Ketcham bill, it is still not possible to get the various rates into a relation to each other which reflects relative economy of production; but this argument is also valid against a schedule of import duties.

If all of these plans were set up so as to make the export bounty equal to the import duty, they would work alike in the respect that the geographical structure of prices that would result would be the same as under a condition of free trade in the product, except at a higher level. The same would be essentially true of the price structure with respect to grades and types of product. Free exchange with foreign countries would set in so far as advantages of location and differences in quality and type of product are concerned. In general, the higher qualities of goods would tend to be imported and the poorer grades to be exported. The organization of trade which the German import certificate plan is intended to produce would develop in this country. There would be somewhat more foreign trade—both more imports and more exports. All of this has distinctive advantages from the standpoint of national economy. It saves considerable unnecessary hauling of commodities long distance behind tariff barriers and also permits processors to obtain the grades and qualities of raw material which they need at less expense and with less difficulty.

But at the same time, although local prices will be higher at all points than before, they will not be as much higher in those areas where product is moving in from abroad to satisfy the needs of the local processors. The spread between high and low grades of product might be narrowed somewhat. No doubt there would at once develop a demand in the areas affected for exclusion of imports, and it might prove difficult to stem the tide of sentiment which arose. If the demand became so insistent that it had to be met, the transferable-rights plan could not be adjusted to meet it so far as advantages of location are concerned. So far as differences in types of product are concerned, setting up a schedule of tariff rates for the product, with rates varying according to the quality of the product, would be effective if it could be made to work. In the last McNary-Haugen bill all such importations were shut off by requiring that an equalization fee be collected on the imported product as well as on the domestic. Such imports are largely prevented under any export bounty plan in which the bounty rate is a considerable distance under the tariff duty. If imports were to set in, all that would be needed to check them would be to raise the tariff rate until it was as far above the domestic price level as before. This is what the Australians found it necessary to do.

So far as the effect on manufacturing is concerned, all of these plans permit the manufacturer to obtain his supply of raw materials on virtually the same basis as now. Unless the barriers mentioned at the end of the last paragraph were established, they would be better off in this respect than at present. The transferable-rights plan with its separation of a product into domestic and foreign supplies would prove a hindrance except for the transferability of rights. The manufacturer for export would in effect receive an export bounty on his product. The utilization ratios would prove something of a nuisance, sometimes resulting in slight profits and sometimes in slight losses; but in general would prove a small source of profit if past experience with them is to be judged.

But in other important particulars, manufacturing would be at a disadvantage. First of all, the cost of living of factory workers would rise and their real wages decline. This would put the manufacturers at a disadvantage in foreign competition. In the second place, the higher prices at which their products would sell would curtail the consumption of them somewhat. While these effects are serious from the standpoint of the manufacturer, they are not necessarily wrong from the standpoint of national economy. If prices of farm products were where they should be to-day, with their purchasing power around 105 instead of 90, the manufacturers would be in exactly the position which the farm leaders contemplate establishing as a result of these price-raising plans. Any change in domestic conditions which puts agriculture in its proper position relative to industry will unavoidably have such an effect as the above on manufacturing. If agriculture is to stop falling behind industry in this country at its present amazing rate, only some change which checks manufacturing in the foregoing manner can bring it to pass.

All the plans specifying a definite bounty rate are especially objectionable, since they furnish an easy basis upon which a foreign country may raise its import duties against the United States. Our own Government recently furnished an excellent example of how to do this in the case of Australian butter. The equalization fee plan is little if any better in this respect. It would be easy for a foreign government to find out the amount of the deficits for which exporters received reimbursement. The Spillman plan designates a specific bounty rate, but in turn sets up a check on the expansion of production and would be more acceptable to foreign countries for this reason. The transferable-rights plan would be the most acceptable of all on this score, because it not only furnishes very little stimulus to expand production, but also names no specific bounty rate. All the plans which work something like the German imports-certificate system would be more acceptable to foreign countries.

The export debenture plan would require the least additional machinery of administration, and the allotment plans the most. All of them set up some kind of a central board or commission, but with some of the plans this agency would have little to do so far as the price-raising activities alone are concerned. All but the equalization fee plan assign a considerable volume of additional work to the Treasury Department.

Evasion is a problem in all of the plans which involve collecting a fee or tax; or an addition to the price, as in the case of the two domestic allotment plans. This evasion might take either of two forms: one, colusion to avoid payment of taxes, such as might occur between a grower or a local buyer under

the Spillman plan, or between a processor and a dealer under the transferable rights or equalization fee plans; and, second, a certain amount of unreported local processing, such as might occur with pork and lard especially. Any flour or pork sold beyond the reach of the revenue officials would escape paying an amount equal to the fee in the case of the McNary-Haugen plan, or an amount equal to the duty under the domestic allotment plans. This difficulty seems so serious in the case of pork and lard that few would advocate its application to them at present.

All of the plans are somewhat bureaucratic. But the export debenture plan, without its appendages in the Ketcham bill, is no more bureaucratic than the customs service. As for the others, bureaucracy is their greatest handicap. But it is by no means a fatal handicap. Otherwise, we should have to abolish most of the bureaus and commissions in Washington, starting in with the Interstate Commerce Commission, the Federal Trade Commission, the Federal Reserve Board, etc.

None of these plans is price fixing. They are all plans for raising the price of the product in the domestic market above the world level, exactly in the manner of tariff duties. They are all plans in the same general class as the import-duty plan so widely employed to-day. There is no argument which is valid against them on the score of price manipulation which is not valid against the import-duty system.

So far as ease of operation at home is concerned the export-debenture plan is superior to all the others, except the import-duty plan, which we know so well. But its probable reception by foreign nations is a very serious obstacle to it; and likewise its financing itself by drawing on the public revenues. If the first of these could be met by vigorous checks on expansion of production, as seems highly probable, and the second by increasing the Federal income-tax receipts a little, to which course of action only political objections can be raised, it would be the best plan to adopt. But either one or both of these objections might prove fatal to its adoption by Congress.

Except on the score of ease of operation, the domestic-allotment plan with transferable rights seems to the author to have more points in its favor than any of the other plans—its provision for checking expansion of production, its not placing any bounty on exports, its advancing of production credit, its providing a measure of insurance, its not raising prices to other domestic users of the product for feed and seed, its making collections from processors and not from farmers and local buyers and transportation agencies—are strongly in its favor. Its permitting a limited amount of exchange with foreign countries, involving advantages of location and difference in quality, should also be considered an advantage. Against it is first of all the major difficulty of the individual allotments, and second, its requiring the collecting of a large margin—42 cents a bushel for wheat—which would be conducive to evasion. This latter would be a very serious difficulty in the use of pork, beef, and dairy and poultry products in the United States, if the tariff duties were as high as on butter at present.

Clearly no one plan is best for all products. For sugar, wool, flaxseed, lemons, beef, and possibly dairy products, surely import duties are to be preferred. For wheat and cotton and cottonseed oil and several types of canned fruits and vegetables and dried fruits, the transferable rights plan has most to recommend it. For corn, pork and lard, poultry products and possibly dairy products, the export debenture plan is to be preferred, with rigorous checks on expansion of production. These three methods of raising prices of farm products fit well together. The income receipts from the first two lists of products can be used to pay the bounties on the third list, especially the increase in receipts from the first list from the higher duties that are likely to be imposed.

The conclusion of the author is that a program of price-raising activities such as the foregoing paragraph outlines is workable—and desirable if the country is to remain on as highly protective a basis as since 1896. If the country sometimes tires of import duties, export bounties, allotment rights, and the like, and wishes to revise its policy, then all can be reduced together, import duties along with the rest. The process of reduction will not need to be so guarded in that case since all lines of production will be treated equally.

If such a program as the above were adopted, the tariff schedules on farm products would need to be revised somewhat. The present duties on farm products mostly assume that they will not be effective. These plans would make them effective wholly or in part according to which plan was applied.

In addition, a whole new raw cotton and cottonseed-oil schedule would have to be devised. What is the proper basis for tariff duties to go with the transferable rights and export debenture plans? Under the former complete exclusion would not seem necessary or desirable; and the full amount of the duty would be added to consumer's prices. It would therefore seem best to have the rates only moderately high. Differences in cost of production could not very well be used as a basis for cotton duties for the ordinary staples. Anyone who advanced the plea that costs of production of ordinary staple cotton were higher in the United States than in the principal competing areas ought to be laughed out of Congress—and he might even be so received. The real objective is to raise the price of cotton so that cotton growers can live better. There would be no possible basis for making the rate except frankly to accept this. The rate should be one which would help them moderately without taxing the users of cotton goods too much. Five cents per pound would seem to be such a rate.

So far as wheat is concerned, the same situation would prevail, except that potential imports might figure in the situation a little more. A rate under 30 cents a bushel might permit too large imports in certain years and weaken the effectiveness of the plan. Most people would consider 42 cents a bushel of wheat added to the price of bread as a little too much. It must be remembered that even in prosperous United States there are a few million of people for whom a difference of a cent or two on a loaf of bread is not to be ignored.

The export debenture rates are all added to the producer's price and hence do not need to be as high as the rates under the transferable-rights plan in order to get a certain increase in returns to the producer. There are advantages in having the tariff rates as high, or nearly as high, as the debenture rates, but if both are made too low imports may set in and the expenditures upon export bounties will increase, and if both were made high enough to prevent imports, prices to consumers might be raised too much. In most cases, therefore, an import duty somewhat higher, perhaps a half higher, than the bounty rate would probably work best. As already explained, thought would also need to be given to effect on production. Too high rates would stimulate production too rapidly and produce a bountyless period of lower prices. When the bounty went on again, it might precipitate another spurt. The proper export debenture and accompanying tariff rates would depend upon the elasticity of supply of the production, the resulting imports, and what is a reasonable imposition upon the consumers.

A program such as above outlined would call for some kind of a "Federal agricultural commission." It would seem best to outline rather explicitly the program it was to follow, and to grant it rather specific powers—as has been done with the Interstate Commerce Commission, the Federal Reserve Board. Its relation to the Department of Agriculture should be stated very carefully.

The Chairman. We will now hear Mr. Anderson. Mr. Anderson, will you state to the committee your full name and who you represent?

STATEMENT OF HON. SYDNEY ANDERSON, PRESIDENT MILLERS' NATIONAL FEDERATION, WASHINGTON, D. C.

Mr. Anderson. Mr. Chairman, my name is Sydney Anderson; I am president of the Millers' National Federation, which is the national trade association of the wheat-flour millers of the country, the members of which produce about 70,000,000 barrels of flour a year, which is in the neighborhood of 65 per cent of the total production.

I think I shall have to once more restate my position in coming before this committee. My organization has taken no action upon any of the plans proposed, and I do not purport to represent the views of that organization.

I am here entirely in my own individual capacity, expressing my personal views on this general problem.

Perhaps I ought to say also that the members of my organization have no particular stake in this legislation in the sense that it either

advantages or disadvantages them, so far as I know. In other words, they are not interested in the price level, due to the fact that the millers have opportunity for hedging the raw material, wheat, and that gives them an insurance against the price which they may pay for that raw material.

I approach this whole proposition with a great deal of diffidence, as the committee can well understand, first because I d not flatter myself that I can bring to the committee any new points of view or any views which it has not already had presented to it after seven years of investigation and months and months of hearings on the subject.

In the second place, I approach it with some diffidence because on yesterday I appeared before the Senate committee, and necessarily, not having changed my mind in the meantime, I must repeat to some extent what I said there.

And, in the third place, I appear with great diffidence because I fear I shall not be able to suggest to the committee the kind of solution of this problem for which it has been searching.

I may as well begin by saying that I do not think there is any single solution of the agricultural problem. What it seems to me we need is to redirect and revise our whole thought and conception of what the problem is and of the character of the remedies which can be applied to it.

I should like to point out first of all that the agriculture of America, as the agriculture of the world, but more particularly the agriculture of America, is going through a period of evolution, which is not at all dissimilar to the evolution through which the manufacturing industry went during a period in which factory production was developed and the idea of mass production developed. In other words, agriculture is going through a period of mechanization, which I think eventually leads probably to larger farm units, and perhaps to chain farming.

As an example, in the Southwest the use of the combined harvester and thresher has, to a very large extent, revolutionized the production of the Southwest and the cost of that production. It is compelling a revision of the methods of wheat production in the Northwest, because in competition with that combination the Norhwest finds itself at a disadvantage.

Referring just briefly to Doctor Black's testimony and to the idea of the allotment plan: The discussion which has taken place here, it seems to me, illustrates the fact that even such a plan, assuming it was economically sound and was perfectly feasible, must of necessity be adjusted to the particular market to which it would be applied, but would have to be readjusted from year to year as these great changes take place in the evolution of agricultural production.

The point which I want to make is that it seems to me impossible to write into a statute any fixed and inflexible plan which can possibly meet all the varying, constantly changing conditions of agricultural production and marketing.

An examination of the problem of the agricultural surpluses which are produced in the various commodities I think demonstrates that position beyond any question. I have gone through some of this before with some of this committee, but I hope I may be indulged in just a brief résumé, because it seems to me that résumé is necessary as a background for what I want to say later.

The committee is well aware that there are many kinds of surpluses, and that the character of the surpluses changes from year to year. We have the so-called annual carry over of the principal grain crops, which represents an amount that is neither consumed in this country nor exported. We have an exportable surplus. We have in addition a surplus which is due to the fact that during the early part of the crop season more of the commodity comes on the market than can be immediately absorbed and used.

Then we have a surplus in the perishables, due to the production of early and late varieties. We have surpluses due to temporary overproduction. We have all these various kinds of surpluses, and we not only have surpluses in that sense, but we have them in another sense.

If I may again refer to wheat, in one year we have a surplus of hard-winter wheat and a shortage of soft-winter wheat. We have in some years a shortage of spring wheat and a surplus of hard-winter wheat. Those relative relations as to surpluses and deficiencies in different classes of wheat change from year to year under any plan which could possibly be devised, and of necessity it will have to be adjusted to those relations.

How can any fixed plan be applied to a situation such as we had this year when during a part of the year soft winter wheat sold at some 60 cents over the option per bushel, while certain classes of hard red winter wheat were actually under the option, the option representing the average price in relation to the world supply and demand?

The factors of value in these various crops differ. It is only within the last eight years that the factor of protein has become of some importance in wheat, for example. That importance is due, of course, to the change in the demand, and the fact that the baking industry has developed from a basement and family industry to a great manufacturing process, based upon mass production and high-speed machinery, which requires a high-protein flour in order to stand the punishment which it gets in the process.

In some years our surpluses of wheat are of good quality and in other years the surplus of wheat is of a poor quality. In some years our surplus of corn is of high quality, and in other years the surplus of corn is of such a character which it is very difficult to keep in condition so that it can go to market.

In addition, we have quantitative conditions in terms of export. We export about two-thirds of the cotton crop, about 25 per cent of the wheat crop, and about 1 per cent of the corn crop. About 10 per cent of the corn crop gets on the market as corn, and practically all of the wheat crop gets on the market in the form of wheat. Then there are in addition to these factors the factors which make for demand or lack of demand for the finished product.

The style element in connection with cotton, and the preference for different classes of cotton, the possibility of the introduction of substitutes, for instance, the coming into use of rayon, all have their effect.

I am told that in Great Britain they have developed still another cotton substitute. Perhaps it is another means of getting down the price, but it is stated that they expect to produce a billion pounds of this substitute for cotton next year.

There is still another factor that enters into this whole question of surpluses of food production and consumption. Food consumption stands upon a different footing than the production of automobiles or of radios or other articles of that kind, the consumption of which, or the use of which, has not reached the saturation point.

The total ingestion of food is not fixed by the ability of people to buy; it is fixed by the constitutional and dimensional limits of the human stomach. Three pints is the average limit, I am told, of the human stomach, and what we are fighting for, what the average farmer, the hog raiser, and the beef producer are fighting for is this place in the 3 pints that constitute the constitutional limit of the human stomach, because after all everybody can buy about all they can buy, but they can not eat any more than the stomach can hold. So you have a different aspect as to food production than exists in the case of non-food manufacture or production.

There is another reason, and that is that the complete solution of this agricultural problem does not lie in that segment of the distribution process which represents the marketing of the raw product of the farm.

I mean by that, for example, that part of this solution lies beyond that field. The wheat miller can pay for wheat what he can get out of the consumer in terms of dollars for flour. He can not pay any more than that. The process that lies beyond the segment of marketing the farmer's products is just as important a part of this problem as that part which lies directly within it.

In other words, we come down after all, it seems to me, to the proposition that the marketing of each one of these commodities represents a distinctly and constantly changing picture, and that therefore we can only suggest and write into the law certain general procedures which are sufficiently flexible so that some agency which we set up for the purpose can adapt them to the changing conditions which we have from year to year, and which we may expect, perhaps, in greater measure as the years go on.

When one says that there appears to be no general panacea for agricultural difficulties, of course, one appears to present a rather hopeless picture. And yet I do not think it is nearly as hopeless as what I have said would indicate.

If we can redirect our view of this situation so that we can see this picture, not in the terms of farm relief, but in the terms of an agricultural program which will give the farmer an opportunity to make use of the same procedures and the same methods as have been applied successfully in industry, we have taken, I think, most of the steps which it is possible for us to take legislatively and administratively.

In other words, we can lay down here a broad foundation of policy, a broad basis of assistance to the agricultural industry which will enable it through the development of its own agencies to solve its own problems.

I am not going to discuss the relation of the tariff to this problem, nor the relation of economies in transportation, or additional facilities. I want to pass immediately, if I can, to what, it seems to me, is the beginning of the foundation, the beginning of a program for the stabilization of agriculture, and I am talking now about the stabilzation of agriculture and not the stabilization of prices.

It strikes me that the first step in the program is what I think the committee has already agreed to—the creation of a farm board, a sort of supreme court, a court of last resort, to which application may be made for such assistance as the problem demands as it presents itself to the various groups, and what agriculture may require.

The mere creation of such a board will have a desirable psychological effect. We have created a Federal Reserve Board, we have created a Tariff Commission, we have created a Federal Trade Commission, and we have created an Interstate Commerce Commission.

In most of those cases we started the board out with rather modest powers, and as we found the need for additional powers, as inquiry and investigation and the work of the boards developed the need for additional power, that power has been given. I am told we have amended the Federal reserve act some 20 times since it was adopted in 1914, I believe. We shall probably find it necessary to enlarge and broaden the powers of this board.

Before I go into the broad powers of the board I would like to discuss the make-up of this board. One of the conceptions of the board apparently has been that of a board made up of farmers. I do not think that the board should be either necessarily, or even desirably, made up entirely of farmers. If it is to be successful it must at least be in part composed of men who have knowledge and experience and judgment, not merely in the marketing of farm products in their raw state, but also in the more critical merchandising of the finished products which are made out of them.

I think these representatives on the board ought to be representatives of commodity groups, either of individual commodities or of commodities having general marketing characteristics in common, rather than being composed of geographical or sectional representatives.

We all base our judgment upon things that lie within our own experience.

I have said that I think it is a commodity problem, and that it ought to be developed along the basis of commodity lines; and I would like to point out that one of the largest developments in industry has been the development of trade associations, and under that development has come the great trade associations centralized along the lines of promoting separate commodities. That principle applies just as much in the development of commodity organization in agriculture as it does in industry.

If there are to be commodity advisory councils, it seems to me that they should very largely be made up in much the same way as the board itself. It is likely, however, that a larger proportion—I should say certainly a majority—of the advisory councils should be distinctly representative of the producer organizations or of the producer.

Now, it strikes me it is necessary to give this board certain rather broad powers, because the variations in the problem make it impossible to set down narrow limits within which this board shall function. The narrower you make these limits the more certainly, it seems to me, you make it impossible for the board to deal with the varying conditions as they arise. Consequently, it seems to me, the board should be set up so that these problems, as they come to it,

will come to it from the organizations instead of being put down over the organizations by the board.

Most of these farm organizations know what their troubles are, and most of them have ideas about how they can be remedied and how much money it will take to remedy them.

If you put this board in the position of a banker, so the farm organization will come to the board and say, This is our problem; this is the situation we have to meet; this is the way we think it can be done; this is the way the problem relates to the whole business of the marketing of this commodity, and it will take so much money—then the board has something upon which it can act, and it does not have to act theoretically, but it can act on the basis of practical suggestions coming from the people who are actually doing the business.

Then it seems to me the board would have to have rather broad powers of cooperation. I have suggested that the solution of the agricultural problem does not lie entirely in the segment which represents the marketing of the farmers' products. Part of it lies beyond that point.

Therefore it seems to me the board should have rather broad powers of cooperation with those industries that handle farmers' products and that process them.

There are a good many kinks in this line of distribution which could be ironed out if the representatives of agricultural organizations and representatives of the present marketing agencies could be brought together and somehow made to see the other fellow's point of view.

A good deal of that sort of thing has been done by bringing together the representatives of the cattle producers and the hog producers with the packers, for example. A lot of those things have been ironed out, and much of the work in connection with the getting of hogs and cattle to market in recent years has resulted from that form of cooperation.

Therefore, I am suggesting that this board have some rather broad powers, not of regulation, but that in order that they may cooperate with the various agencies that may be interested in this problem from one end to the other—that is, from the producer to the consumer.

The Republican platform, for which I suppose the Republican members of the committee must have some regard, suggests that there be established in this legislation a basis for the charter or organization of stabilization corporations. I do not quite agree with Doctor Black in his analysis of that situation. I listened to his very able presentation of his tables and charts yesterday. Necessarily those charts must be based upon annual figures and upon total annual production. They can not possibly take into consideration either the psychological elements involved in the marketing and merchandising of commodities, or the fluctuations within the year.

But I think it is quite possible that there might be demonstrated the possibility of some degree of stabilization, and consequently some possibilities of profit in these corporations.

However, I do not regard the stabilization corporation as either a correct conception or correct terminology. I see the proposition rather in terms of agricultural service corporations. I would like to

point out here something which, it seems to me, might possibly give us an angle of approach to this question of agricultural stabilization or service corporations which you might not otherwise have. There has been going on for several years now a great commercial war for the control of the outlets of distribution. That is because the control of the outlets of distribution to a certain extent makes possible or makes certain the distribution of a particular line of commodities, and, incidentally, enables you to obtain the part of the profit which comes from fluctuations in price. If the farmer is to get anything out of these corporations it seems to me that he can get it in one of three ways: First, he may get it from the stabilization corporation; second, he may get it from the profits which arise from fluctuations in prices—that is, by participation in the profits from fluctuations; and, third, by a raising of the basic level of the price.

Therefore, my conception of an agricultural cooperative is something which will give to the farmers a thing which he has not now—that is, some control of the outlets of distribution of his product and of the profits which may arise either from stabilization or from price fluctuations, after the commodity has left his hands as an individual. I believe that under that situation the farmer would gradually develop behind these stabilization corporations or market-service corporations, and have real organization. It seems to me that there is no use in talking about getting the farmer into an organization along purely theoretical or ethical lines. The only way you will get the farmer into an organization is by making it profitable for him to be there. The difficulty with cooperative organization, I think, or one of the difficulties, has been that the only profits which it is possible to show are those which arise out of patronage dividends. He gets no profits in terms of investment dividends. Besides that, one of the great weaknesses of the cooperative is that it has no investment basis, and it has no basis upon which it can pile up a reserve against bad years or bad times.

A recent report of the Federal Trade Commission on cooperatives, for instance, points out that in the case of a cooperative handling millions of dollars' worth of produce it was seriously embarrassed by the loss of $10,000. In other words, it seems to me that if we are to get any permanent stabilization for produce, we must, somehow or other, get the farmer's money into it so that he can, through investment control of the outlets of his production, participate in the profits which come from price fluctuations after the product leaves his hands as an individual.

I think that I can, perhaps, best express my views on this question of farm stabilization corporations by reading a statement I made in another connection some time ago. I was referring to this question in connection with a bill that Senator McNary introduced at the last session. This is what I said:

The set-up of the stabilization corporations made in the bill apparently contemplates that these corporations shall be nominal corporations only, having nominal capital and financial responsibility and operating only in periods of emergency or threatened price crises caused by actual or threatened seasonal or annual surpluses.

Eliminating altogether the question of the soundness of the theory of stabilization through orderly marketing operations or through measures of withholding surpluses from the market for temporary periods, it does not seem to me that

the permanent organization of agriculture or of sound marketing operations can be established upon such temporary foundations. I conceive it to be one of the functions of the farm relief bill to accomplish the permanent stabilization of agriculture. I do not believe this can be done through temporary or emergency organizations. Besides this, the creation of temporary organizations to deal with emergencies is necessarily a wasteful and an inefficient procedure.

We tried substantially this method for many years in dealing with financial panics through emergency methods of expansion of currency, etc., but it was not until a permanent organization was created that banking stability, elastic currency, and freedom from financial panics were accomplished.

I am convinced that permanent agricultural stability and freedom from excessive price fluctuations can not be accomplished through purely temporary or nominal stabilization corporations.

In addition, the responsibility for risk of loss and opportunity for financial gain are necessary corollaries of each other. Financial responsibility is an inevitable corollary also of good management. Under the provisions of S. 4602 the Government may loan to a stabilization corporation not only 100 per cent of the price paid for the commodities, but also the working capital necessary to supply operating margins and operating expenses. Experience in the grain and milling trades has demonstrated that these margins must be very large indeed. In fact, in this year many mills and grain companies have had their entire capital and surplus tied up in the margining of wheat.

These considerations, as well as others, lead me to believe that stabilization corporations should be organized with substantial farmer capital and that the organization should look to ultimate complete financial ownership as well as control. This is necessary to the good of agriculture itself to a much larger degree than it is to the safety of the funds which the Government might contribute to the enterprise.

The essential difference between what I have in mind and what it seems has been contemplated by the bill to which I referred is that, as I see it, when a farm organization comes to the board, lays down a plan, and obtains a loan, then that farm organization ought to be left to run the business from that point on according to its own judgment and in its own interest. If there is no substantial farmers' capital in the organization, you might just as well let the Government run it, because the institution is always going to be in the condition of a bankrupt concern whenever there is the slightest price decline, and when it is in that position, the Government must step in for the protection of the money which it has loaned to the corporation or to the cooperative. It seems to me that the prime essential of this whole business of farm stabilization is to somehow or other give the farmer control of the marketing agencies through an actual financial investment in them. If you do not do that, you will get no permanent stabilization out of it that I can see, and you get no permanent agricultural organization out of it.

I need not comment at length upon the loan provisions which have been carried in most of these bills. The obvious difficulty of the cooperative is that the banking loans which they can obtain do not represent a sufficient proportion of the value of the commodity to enable them to pay the producers as much as they would like to, or as much as it is necessary to pay if they are to succeed. Therefore, there is a basis for lending them through the agency of the farm board a sum in addition to that which they can obtain through ordinary banking channels. There are also instances, perhaps, in which you would have loans needed for the acquirement or purchase of the control of terminal facilities, and, perhaps, facilities for grading or even processing may be desirable or necessary. I think that there should be, at least, this limitation upon that proposition: The tendency always of a new organization is to want the last word in

facilities, and it always wants to put up its own facilities. For that reason, they may want to put facilities at places where they already exist, so that the net result is simply to divide the volume handled into two parts, and there is the same overhead as to each part, thus doubling the unit cost of the commodity that moves through it. Therefore, it seems to me that there should be some limitation upon that provision which would require the board to determine that the economic need for those facilities exist, and that they can not be purchased or rented or otherwise acquired at a reasonable price.

Now, Doctor Black talked at some length with reference to a long-time program for agriculture. I am in full accord with that idea. I believe that there are many things that can be done, provided it is possible to focus the whole agricultural industry upon the accomplishment of the agricultural program. The difficulty has been so far that they have not been able to focus the agricultural industry upon the accomplishment of a program. I said some time ago that one's mind naturally goes to the support of things that come within his own observation and experience. The agricultural problem in its many phases seems like a new problem, or it seems like a new series of problems. Yet, there are many of those things that are not new. Industry has been struggling for, lo, these many years with problems which are practically identical with the problem that agriculture is confronted with to-day, and it has worked out certain procedures which at least have helped to effect a solution of those problems, so far as individual industries are concerned. For example, some industries have learned the diversification of lines, making possible a reduction of the per unit overhead. Now, that general idea of diversification can be applied, not merely to the individual farmer, but to the diversification of the whole agricultural production, so as to get a better plane of total production in the different agricultural products. Again, we have found that a reduction of varieties as well as of sizes in some instances makes it possible to effect a great many economies.

We are producing in this country, I am told, some 200 varieties of wheat, and the production of so many varieties unquestionably increases the cost of the marketing and of the manufacture of those varieties. It increases the cost all the way through the entire process. That is likewise true of many kinds of agricultural products. There are also possibilities in the direction of finding new uses for agricultural commodities, or for products which are now wasted. Those in my own industry, in looking back, tell us that they used to have complaints because mill feed was running down the river and spoiling the water for the mules. To-day mill feed is one of the principal products of a flour mill. It is not only used for cow feed, but some of it is used for human food. In addition to new uses and new markets it is possible to speed up the whole process of production and distribution so as to require less capital, and, consequently, less cost or investment. Those are only a few of the methods and procedures which have been found successful in industry, and which are adaptable at least to many of our agricultural problems.

A board soundly created, and with the Agricultural Department properly focused would go a great deal farther than has yet been done toward the stabilization of agricultural production and toward

putting it in the same position with reference to its production and marketing that industry occupies with reference to the commodities which it produces.

The CHAIRMAN. You have only 2 minutes remaining, Mr. Anderson.

Mr. ANDERSON. I am quite through with my general statement, Mr. Chairman.

The CHAIRMAN. Mr. Purnell, do you wish to ask any questions?

Mr. PURNELL. I want to say, Mr. Anderson, that the thought in my mind is that you have laid down a pretty good yardstick here by which we can draft a farm relief bill. I say that, perhaps, because what you have said conforms very largely to my own views about the matter. I do not know that I followed you, though, when you distinguished between the stabilization of agriculture and the stabilization of prices, unless you mean that by the stabilization of agriculture you would be stabilizing the prices.

Mr. ANDERSON. I meant by that, for instance, a better balanced relationship between different commodities. If you could work out over a period of years a better relationship between market demand and agricultural production, or if you could build up an agricultural cooperative organization of farmers, you would thereby tend to bring about the same kind of stabilization, by the use of the same methods by which stabilization has been accomplished to the extent to which it has been accomplished in industry. The only point I am trying to make is that, so far as I can see, there is no alchemy or no panacea for the situation, but we have a certain general line of procedure, or certain principles of business which have been developed in connection with industry and its products, and which can be applied to agriculture. These would give them the same control of the outlets for their products, and therefore of the prices which they would obtain for those products, that industry has in relation to its products. I might say here that the idea that industry makes its price and gets it is pretty generally a fallacious one. If my industry, for instance, could make its prices, I am sure that it would make them much higher than they are now, and they would be making more money and making it more steadily than they are now.

Mr. PURNELL. As I see it, in industry the stabilization of business implies also the stabilization of prices, and I thought you made the statement in the beginning that you were not interested in the stabilization of prices but rather in the stabilization of agriculture.

Mr. ANDERSON. I think that the price is a result and not a cause. In other words, I want to work on the factors which make the prices and not upon the prices.

The CHAIRMAN. Mr. Aswell, do you have any questions?

Mr. ASWELL. Mr. Anderson, you held up, I think, a very effective example of stabilization in industry. There is no Federal board controlling their line of action, is there?

Mr. ANDERSON. No. There is this difference, I think, Mr. Aswell, between stabilization of industry and stabilization of agriculture: In industry, through corporation organization, it is possible to capitalize promotional expense and organization expense. That is not possible in agriculture, and, therefore, you have to inject into the situation Government money and Government assistance in the promotional activity.

Mr. ASWELL. Do you believe there should be a Federal board in the interest of agriculture?

Mr. ANDERSON. I think that a Federal board would have, as I said, the effect of stabilizing costs, to begin with, and, second, of assistance in the development of a general program of stabilization.

Mr. ASWELL. Now, we have many individual bills pending before Congress dealing with definite phases of agriculture, such as net-weight cotton, cotton bagging, regulating exchanges, and that sort of thing. They are included in individual bills. Now, in your opinion, should this board be given such powers and latitude as to enable it to handle those details as the cases arise?

Mr. ANDERSON. I would not give the board regulatory powers of that sort. I think it might be very well for the board to recommend to Congress legislation that would be helpful in a stabilization program. I think it would tend to crystallize the conflicting ideas we have in regard to such legislation.

Mr. ASWELL. You do recognize the necessity for that?

Mr. ANDERSON. Yes.

Mr. ASWELL. We have already had presented to us, perhaps, 50 problems in agriculture, and there are possibly about 500 that we have not yet seen or heard of.

Mr. ANDERSON. There are at least that many.

Mr. ASWELL. Should that board be given authority to meet those problems when they develop?

Mr. ANDERSON. I think that if it has general powers, it will often have to meet those problems as they arise.

Mr. ASWELL. Do you think the board should be given latitude to deal with new problems as they arise that they should not come back to Congress, as a rule?

Mr. ANDERSON. Let me start with this proposition: In industry we are more or less fearful of broad and unrestricted powers, but, nevertheless, looking at it from the standpoint of developing this program cooperatively rather than by regulation, it seems to me that the board must have some rather broad powers.

Mr. ASWELL. Would you approach the question from this angle, of letting the cooperatives come to the board and stating their needs, and applying for money, or would you give the board power to initiate the action?

Mr. ANDERSON. I should say the former decidedly. My theory of the proposition distinctly is that the suggestion should come from the cooperatives rather than from the board, because it seems to me that when that occurs you are dealing with a practical problem presented by men who see it from a business point of view.

Mr. ASWELL. I agree with you on that. There is one more question. I think that all of us admit that there is a great deal of waste in agriculture and on the farm.

Mr. ANDERSON. Yes.

Mr. ASWELL. There is obvious waste on the farm to-day.

Mr. ANDERSON. Yes.

Mr. ASWELL. Can this board do anything toward eliminating that waste?

Mr. ANDERSON. I do not know that the board can do anything except, perhaps, in a promotional way, and in the development of methods of doing it. A certain amount of waste has been eliminated

in industry through what is equivalent to consolidation or integration. In the farm situation, you have this kind of condition: You may have 10 farmers in a given locality; they may all have the same kind of land and the same opportunities; they may have the same capital and the same equipment, and yet one farmer outstrips all the rest. Obviously, if you could apply the same methods to the nine unsuccessful farms that you do to the one that is successful, you would get a higher degree of efficiency from each of those farms under 10 separate managements than you had been getting. I think that the board might have some notions about that, and I think that is something that will come about. I think it will be forced very largely by economic causes, just as it has been forced in industry.

Mr. KINCHELOE. Mr. Anderson, how many members would you suggest for the farm board?

Mr. ANDERSON. I have not gone into that sufficiently, Mr. Kincheloe, to answer the question. In my own affairs, I have found that, as a rule, the best committee is a committee of three with two absent.

Mr. KINCHELOE. Your idea is not to have a large board, or not as many as 12, is it not?

Mr. ANDERSON. I would have the board as small as possible, and still give some representation to large commodity groups.

Mr. KINCHELOE. What, in your judgment, would be the significance of the board as to whether it was bipartisan or not?

Mr. ANDERSON. Well, I do not, of course, regard this sort of board as partisan at all. It is clearly not a partisan question, but I know that it is customary to provide that a certain proportion of the membership of boards of this kind shall be of one political party. I do not regard that as of any particular significance. Its main effect so far, it seems to me, has been to create a political division within the commission or board.

Mr. KINCHELOE. I am very much struck with your idea of leaving the farmers cooperative marketing association as the initiator of the problems to come before the board. Not only do they know the facts, but I think having the cooperative to initiate it will have as much psychological effect as anything else that is provided. I do think that I know something about cooperative marketing associations. I do not know whether you will agree with me or not, but I do not think you will ever have an effective cooperative marketing organization in this country unless, as you so forcefully stated, the cooperative marketing organization has sufficient funds to finance its business. Further, if that can be done, I do not see why we can not have 100 per cent cooperative marketing associations for every commodity that is raised. The cooperative marketing association should have sufficient funds to pay the farmer all that his product is worth, or what it would be worth if he were dealing with a commercial marketing association. I do not think you will have a great many American farmers in the cooperatives when they pay only 30 or 40 per cent of the market price of their products. Now, do you think it would be sound for this board to have a revolving fund out of the Treasury, so that if a cooperative marketing association did not have quite sufficient funds to finance its operations, it could be provided with the funds? Do you think it would be sound for this board to have power to lend the cooperatives a certain

percentage of their values, so that they could say to the growing members that if they go into the cooperative marketing association they will get as good a price or a better price than they could otherwise obtain?

Mr. ANDERSON. Absolutely, if the cooperative is soundly organized. There is this situation to be considered: In many instances the control of the market for a product, as you probably know better than I do, is established by those who control the distributing processes by lending money to the producers of those products. The result is that they have control of the product, because they first put it into the channels of distribution. If a cooperative were in the same position, or if it had the funds with which to finance the production, that would also help in bringing your individual producers into the cooperative association.

Mr. KINCHELOE. Do you think that this advisory council is a desirable feature to have, should it have any initiatory powers, or simply advisory powers to act as an intermediary between the producers or cooperatives and the board?

Mr. ANDERSON. I have considered it as being what its name implies; that is, an advisory council. Personally, I have not been strongly sold on the advisory council part of it, because, it seems to me, if this thing is soundly organized, the proposals will come from the organizations. Therefore the importance of the idea of an advisory council becomes rather limited, in my mind.

Mr. KINCHELOE. I do not think it would have much power, but the question is whether it would have the effect of making the individual growers feel like they could be heard in court through this advisory council as a mediator. I think that if this cooperative marketing proposition can be solved 100 per cent, it will do in a large measure everything that legislation can do.

Mr. ANDERSON. There is a real danger in advisory councils in that they may become a very meddling institution.

Mr. KINCHELOE. Of course, I would not recommend that at all.

Mr. ANDERSON. It is not better than a 50-50 proposition, in my opinion.

Mr. JONES. I am very much interested in the suggestion of handling the marketing farm commodities through stabilization corporations. Do you think it would be possible for a stabilization organization or corporation to successfully handle commodities in competition with regular commercial organizations which have had years of experience and with which they must compete?

Mr. ANDERSON. Yes; if they hire the same class of brains that the private corporations now have.

Mr. JONES. Do you think they could do that without any outside source of funds?

Mr. ANDERSON. No. The idea, as I understand it, clearly contemplates that there will be commodity financing through this board of the commodity that they handle.

Mr. JONES. That will be on the loan bases, with interest to pay?

Mr. ANDERSON. Yes.

Mr. JONES. So there will be no outside sources of replenishing the fund other than——

Mr. ANDERSON (interposing). Of course, I start out, Mr. Jones, with the idea that in the first place we have some capital for the

stabilization of the agricultural service corporation furnished by the farmer himself or by his organizations.

Mr. JONES. But you would have to have the cooperative organizations then on a different basis. Under the present plan they do not have any appreciable funds themselves; they simply have their commodities.

Mr. ANDERSON. I think they ought to. I think that is the weakness of the thing. Here is the difficulty as I see it——

Mr. JONES. But the farmers' organizations and the farmers in many instances do not have the funds. It would be fine if they had an organization or corporation with the capital funds, but the process of securing such an organization is the difficult thing.

Mr. ANDERSON. You might have to lend them the initial sums to be subscribed for the capital stock of such corporations on their individual financial responsibility. There are many ways by which that could be done. The only point that I was trying to make there is that the lack of stability in the situation of the cooperatives now is the fact that they have no invested capital, no reserves against bad years. Another weakness is that under the cooperative theory as it presently exists all of the profits year after year must be turned back in terms of patronage dividends as earned. Now, no business institution that ever gets anywhere and develops anything has ever been able to do that. It has got to take some part of its earnings for the development of its business, and the cooperatives will have to do the same thing.

Mr. JONES. That is the crux of the situation, I agree. You will not provide that capital by a loan fund. That does not make capital, and the borrowing of funds does not create capital funds.

Mr. ANDERSON. No.

Mr. JONES. The theory—I think it has weaknesses—of the bill to which you refer was that they would permit these cooperatives to organize stabilization corporations with nominal capital stock, so that the cooperative itself would not be saddled with the financial responsibility of carrying the noncooperative on its shoulders. I do not see how you are going to lure farmers into a cooperative organization if that cooperative organization must take full financial responsibility for the stabilization corporation and make advancements to its members at practically a hundred per cent.

Mr. ANDERSON. I am perfectly willing to admit that there is a practical difficulty there which it is very hard to overcome, and it is possible that you would have to use some high finance in the beginning to accomplish substantially that result.

Mr. JONES. If they had a lucky year, they might be all right.

Mr. ANDERSON. But I am looking at it from the point of view of the long-time development of this thing on a sound basis, and I would rather see it go slower and develop soundly than to go faster and have a bad debacle here.

Mr. JONES. I am not sure that you are not right. I am inclined to think you are on that theory; and yet I was trying to draw your attention to the practical difficulties of getting started on a sound financial basis when the farmers themselves do not have the funds to create the capital stock. The theory of the one or two plans that were advanced was that through some source they would have a

supply of funds at least to get started with and that is not furnished on a loan basis.

Mr. ANDERSON. Mr. Jones, it is very difficult for me to believe that the farmers do not have the funds. I have looked over the bank statements of country banks, and the deposits in those country banks generally represent farmers' capital. Now, what is that capital being used for now? I will tell you. It is being used to make investments in apartment houses; it is being used to make brokers' loans; it is being used for all kinds of investments in more or less speculative enterprises in the city. Now, if you can put some of that money into the creation of farm-owned instrumentalities for the marketing of the farmers' own crops, in the long run we are going to be a lot better off than we are now.

Mr. JONES. I can see the desirability of it; and yet it would hardly be regarded as a good investment—that is the only basis on which you can get them into such an organization—for the members of the cooperative to pay the expenses of their organization and then take their funds and invest them in this corporation to try to stabilize prices when a man can stay on the outside and get the full advantage.

Mr. ANDERSON. I do not think he would get the full advantage. If my conception of this thing is right, and if we assume, as we apparently do, that there is some money to be made in the distribution of these commodities and by virtue of the price fluctuations that take place, then there should be a financial return in this corporation which should be distributed, not in terms of patronage dividends, but in terms of dividends upon stock capital invested.

Mr. JONES. That is correct, as that proposition would work out. What I was trying to arrive at was whether or not there was some way by which it could be adjusted.

Mr. ANDERSON. I think that I could sell stock in that kind of a corporation.

Mr. JONES. All right. That is all.

Mr. KETCHAM. If I get your idea, Mr. Anderson, it might be summed up in this way. Rather, I will put it in lawyer fashion. Is this the way you would sum it up? First, a farm board; second, that farm board given broad power; third, that it should be given access to sufficient funds; and, fourth, that it should be told to proceed slowly.

Mr. ANDERSON. That is substantially my idea; yes. I think the whole thing must be regarded as rather experimental. We do not know an awful lot about the distribution of these commodities in the mass, and we would have to learn as we went along.

Mr. KETCHAM. Referring to a statement which you have repeated several times this afternoon, to the effect that you thought the whole secret of farm relief was no set formula, but was a combination of various things that might be undertaken, what do you say with reference to a number of suggestions that were advanced by Mr. Gray this morning as being essential to the program that we have in mind? You may not have been here.

Mr. ANDERSON. I was not here, Mr. Ketcham.

Mr. KETCHAM. Well, so far as they related to the work of this committee, he mentioned grain-exchange control, the warehouse amendment, the canners' bill, the Reed bill, and several others that

have been considered by this committee. Do you think that they ought to be considered in this program of legislation, or that they should come up on their own merits, or in what relation ought they to be considered?

Mr. ANDERSON. I think this committee will probably be legislating for agriculture a long time, and I would not want to see it go out of business by doing it all in one job. [Laughter.]

Mr. CLARKE. The same committee?

Mr. ANDERSON. The same members of the same committee, of course.

Mr. KETCHAM. Going back to the question of diversification, you put some emphasis upon that. Do you believe, if we established diversification in this country, without the assistance of a tariff upon a great number of products that come into this country to-day and displace agricultural products that we could raise, that you could carry out that program of diversification successfully? That is, when you are going to diversify, that means you will intensify upon some other proposition that may be itself overproduced.

Mr. ANDERSON. That is, of course, quite possible. I think we need a complete survey of the whole farm production. We often start out with a program here that defeats itself. For example, we have learned that we can increase the production of milk by increasing the production per cow. One of the consequences of that has been a tremendous increase in the demand for cows with high productive capacity, and the result of that, in turn, has been an increase in the price of cows of high productive capacity, which tends to put your investment up above your ability to produce a return on that investment. Therefore, when you make an effort to apply a principle of that kind, you must apply it with reference to the possibilities of getting the machinery with which to apply it, so that you do not apply it so fast that you defeat the ends that you are trying to attain.

Mr. KETCHAM. That is to say, so far as the individual farmer is concerned, that sort of work is very commendable; but when you apply that to all of the farmers of the country, you would simply get an aggravation of the present surplus difficulty?

Mr. ANDERSON. Yes.

Mr. KETCHAM. And you would get every man with high-grade cows producing several hundred pounds of butterfat a year.

Mr. ANDERSON. Then, you have also this situation, Mr. Ketcham; that not every farmer is capable of either properly handling a high productive herd of cattle or of making a profit out of handling them. The thing has to be selected.

Mr. KETCHAM. Along that same line, do you agree with the statement made in a volume that has attracted considerable attention lately, that if we farmed as efficiently as we ought to farm, one-half of the present farming population, using one-half the land, could feed the people of the United States adequately?

Mr. ANDERSON. Oh, that is a statistical determination, Mr. Ketcham, that rests upon so broad a foundation that I would not be willing to accord approval to the statement. I do not know whether it is so or not. I think we can say this: That we have not made effective more than 10 or 20 per cent of what we know about this proposition.

Mr. KETCHAM. Just one other question, Mr. Anderson: A little while ago you said that we grew a great number of grades of wheat. Have you ever given any study as to the number of grades that would be adequate to supply all of the market demands in the United States?

Mr. ANDERSON. Oh, I presume you could reduce them to, at the outside, 20 or 30.

Mr. KETCHAM. Instead of the 200 that we now have?

Mr. ANDERSON. Yes. We could possibly reduce them much below that, but I am being conservative with reference to the possibilities.

Mr. KETCHAM. Let me ask just one further question. Do you agree with the statement made by Doctor Black, who preceded you on the stand, to the effect that he could not see stabilization except at a loss?

Mr. ANDERSON. No; I do not.

Mr. KETCHAM. You agree that stabilization can be carried out, and with a reasonable prospect of at least getting their money back, and possibly with some profit in addition?

Mr. ANDERSON. Of course, Doctor Black's figures are based upon a formula applicable over a period of years, whereas business is conducted not on a formula, but on judgment, and necessarily that formula can not possibly bring into the equation the effect of judgment in those situations.

Mr. KETCHAM. You heard the question that I put with reference to cotton, referring to the fact that over a period of 15 years it had been shown that there was no surplus of cotton. In fact, it was shown to be the other way; not only over the total period of 15 years but each 5-year period. If that were true, then, would not a stabilization corporation in cotton work effectively and also obviate the necessity of loss?

Mr. ANDERSON. Well, the question there is partly a matter of the price curve that occurs above or below the point of normal production, and you would have to bring into a mathematical calculation there some factors which perhaps even Doctor Black's calculations do not cover. I dislike to pass an empirical judgment upon things which I can not analyze back through the basis upon which the figures are established. I have done too much figuring myself to be willing to accept tables without knowing what is back of them, and how they have been brought together.

Mr. KETCHUM. But I understand you to say that you believe that a stabilization corporation has a good chance of working out satisfactorily?

Mr. ANDERSON. I think a stabilization corporation, well managed, stands at least better than a 50–50 chance of making money.

Mr. KETCHAM. That is all.

The CHAIRMAN. Mr. Fulmer.

Mr. FULMER. Mr. Anderson, I understand you to say that you represent the millers controlling about 65 per cent of the raw wheat and the flour milled by the millers of the country.

Mr. ANDERSON. That is substantially correct; yes, sir.

Mr. FULMER. Is it not a fact that because of this organization your people are able to eliminate waste and to control largely the outlet of the product, and through central selling agencies and other agencies to make a success out of their business; whereas if they were

unorganized—for instance, like the farmers to-day—that your people would largely be in the same condition that the farmers are to-day?

Mr. ANDERSON. I agree that there is a certain correlation between the organization of industry and the success of the more efficient elements in it; yes.

Mr. FULMER. You can take advantage, for instance, of the fluctuations in price because of your organization, being well informed about those things, and also in fixing prices?

Mr. ANDERSON. Our product is a very highly competitive one.

Mr. FULMER. The prices to-day, though, on flour, more than ever before, are on a somewhat uniform basis. All millers have practically the same price, have they not?

Mr. ANDERSON. No; that is not so at all. I would say that the price for the same grade of flour to-day at the mill would vary 65 cents a barrel as between different mills. I do not need to guess about that; I know it is so, because we have the figures.

Mr. FULMER. Do you believe that your people could be as successful as they are if they were unorganized, with a Federal board, such as you mentioned awhile ago for farms, to look after their troubles?

Mr. ANDERSON. I will say this: I do not think they could do nearly as good a job if they did not have the organization which I represent to help them do it. [Laughter.]

Mr. FULMER. Is it your belief that with just a farm board, with the farmers unorganized and not controlling their product, that it would be of very much assistance to agriculture?

Mr. ANDERSON. My picture is that all this whole program tends toward fundamental organization of the agricultural industry by commodities.

Mr. FULMER. And before they could be successful, they would have to organize?

Mr. ANDERSON. I think they ultimately have got to get organized; yes.

Mr. FULMER. Is it your belief that the cotton growers to-day, for instance, can organize with proper machinery, selling agents, warehousing, and so forth, so as to be able to control, for example, 65 per cent of the cotton, and that they could work successfully so that they would be able to bring about orderly marketing and a fair price?

Mr. ANDERSON. I think they could bring about much more orderly marketing than they have to-day, and that they could participate in the profits which come from stabilization as well as price fluctuation. That is the point I am trying to make.

The CHAIRMAN. Mr. Hall.

Mr. HALL. No questions.

The CHAIRMAN. Mr. Larsen.

Mr. LARSEN. Mr. Chairman, I want to ask a question or two. Mr. Anderson, I believe you spoke of the selling of stock in these cooperative associations. Would it be your idea that that stock should be sold exclusively to farmers, or should it be sold generally to anyone who might wish to purchase?

Mr. ANDERSON. My idea was that it would be sold to farmers.

Mr. LARSEN. Of course, the farmers would not have the money in every instance, as you stated, to pay for stock. They would subscribe for stock and borrow the money to pay?

Mr. ANDERSON. Yes.

Mr. LARSEN. Suppose, then, a man buys a thousand dollars worth of stock and goes to his bank and puts the stock up as security. Eventually that stock might fall into the hands of the banker, who is not a farmer, and in such instance the stock would get out of the farmer's hands.

Mr. ANDERSON. I think, so far as I have seen any of the schemes, or have them in my own mind, they have contemplated restrictive provisions on the face of the stock itself which would prevent the alienation to nonproducers.

Mr. LARSEN. It is your idea, then, that it should be kept in the organization itself?

Mr. ANDERSON. Yes.

Mr. LARSEN. Then the small producer, unable to purchase stock, if profits were received only from dividends on stock, would not be helped at all, would he?

Mr. ANDERSON. He would be helped by the operations of the stabilization corporation, so far as they affected the stabilization of price; and what I have in mind is not merely a distribution in terms of stock dividends, but also a distribution in terms of patronage dividends.

Mr. LARSEN. I ask that question because of the answer you gave to Mr. Jones as to whether a man who was inside the corporation would be equally benefited with the man who was not inside the corporation. I understood you to say that the man who was not in the corporation would not be benefited by reason of the fact that he did not get the dividends on the stock.

Mr. ANDERSON. It was not my idea, Mr. Larsen, that the product handled would be restricted to stockholders in the corporation. I do think, however, that if the corporation makes profits, those have necessarily got to be assigned, in part at least, to the owners of the corporation, who have the stock investment in it. Now, some of these propositions—some of the suggestions, at least—have limited the amount of the profits to be distributed as capital dividends and provided that part of it should go into reserves and part of it into patronage dividends. I think the proper order of precedence is, first, reserves; second, capital dividends; and, third, patronage dividends.

Mr. LARSEN. I think you are entirely correct in saying that they ought to have a reserve fund, but I was wondering what benefit would inure to the man who was not a stockholder, and whether or not the tendency would be for those who are inside the corporation to buy up the products which are produced by farmers outside the organization at a price less than the cost of production, or at a price which yields no profit on production.

Mr. ANDERSON. I do not think so, Mr. Larsen.

Mr. LARSEN. How would you obviate that?

Mr. ANDERSON. Because I do not conceive of the investment of any individual farmer in a corporation of this kind as representing a return which would be greater than the return which he would receive from patronage dividends or from such price elevation as might result. We have constantly, in all of the commodity markets, soft spots, due sometimes to psychology, due sometimes to temporary surplus in the market, and due to various factors. Now, those soft

spots would be pushed up somewhat and your general level would be increased to the extent that you hardened up those soft spots.

Mr. LARSEN. After all, it is impossible to give each man equal benefit from the law which we might pass?

Mr. ANDERSON. I do not think that is ever possible.

Mr. LARSEN. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Fort.

Mr. FORT. Mr. Anderson, you have spoken of several kinds of wheat. Do those separate kinds of wheat have separate uses?

Mr. ANDERSON. To a certain extent; yes.

Mr. FORT. Enough so that an organization handling any one kind should be distinct from the organization handling the other, or is wheat a commodity that could or should be stabilized under a single corporation?

Mr. ANDERSON. That is a proposition upon which I think we would have to have probably more study than I have been able to give it, or anybody else has, perhaps. But my feeling is that the probabilities are that you would have to have a corporation dealing with at least the three major classes of wheat.

Mr. FORT. That was brought to my mind by the thought that the staple cotton, for example, has been entirely separated in its handling from the ordinary cotton. Do you feel that if we are going into the stabilization corporation plan at all, we should empower the board to break commodities up into constituent groups that belong logically together?

Mr. ANDERSON. It seems to me that that would logically be the consequence. I am assuming now that this board acts upon propositions which are brought to it, and incidentally let us suppose that a proposition was brought to it which involved the organization of all the wheat producers in the United States. I think it would immediately become apparent that you could not by any fair method apportion on a pool basis the price of winter wheat selling at 60 cents over the option with the price of hard red winter selling at 2 cents under the option. Therefore I think the board would very pomptly say to anybody who brought them that sort of a proposition, "You had better go back and try it over again on the basis of something which looks more reasonable and has better prospects of success."

Mr. FORT. Then the board, you feel, should have the power to separate or group the commodity?

Mr. ANDERSON. I think it should have the power to say, "This thing is sound," or "It is not sound." Otherwise, you can not possibly get any long-time basis of organization.

Mr. FORT. Now, to get the corporation organization, you have urged the necessity of a farm contribution of capital as a means of securing better management, primarily?

Mr. ANDERSON. Yes.

Mr. FORT. Is it not a fact, Mr. Anderson, that the modern developments in industry and the enormous size of the present capitalization of corporations have led to a condition in industry in which the actual management and control of the business in the hands of those who own a stake in the enterprise is reduced to an absolute minimum in many cases?

Mr. ANDERSON. Well, I do not know just what you mean, Mr. Fort. I think it is true, of course, that the wide distribution of the stock of many corporations puts the management of that corporation in the hands of people who have not perhaps a majority interest in it.

Mr. FORT. Who may have, indeed, practically no interest.

Mr. ANDERSON. That is sometimes the case, but it seems to me that the better forms of organization nowadays more or less insist not only upon executive ownership of stock in a corporation but in many instances of employee ownership.

Mr. FORT. They do not insist; they grant the opportunity.

Mr. ANDERSON. Well, they grant the opportunity.

Mr. FORT. In regard to that situation, I take it from some remarks you made that your idea is that the cooperative associations should be the stockholders in a stabilization corporation rather than the individual farmers.

Mr. ANDERSON. I think it might be either or both.

Mr. FORT. You do?

Mr. ANDERSON. Yes.

Mr. FORT. Have you considered at all—it is a proposal that I made myself three or four weeks ago—the possibility of permitting the capital, if any contribution is to be required from the farmer, to be on the basis of subscribed capital? That is to say, a mere nominal payment down and a liability for the rest, if needed.

Mr. ANDERSON. I think that could be done. I have not worked the thing out.

Mr. FORT. Would that meet your theory?

Mr. ANDERSON. I think the ultimate responsibility for the contribution of that capital rests where it belongs.

Mr. FORT. You admit that the board should deal in surplus crops—I am referring now to your remarks on advisory councils and the like—you think the board should deal in what we call the surplus crops or those crops of major production covering the whole country with individual cooperatives that may be merely local in their nature, or should it, through the advisory method or some other, approach the problem of any cotton cooperative, for instance, with reference to the problem of all cotton cooperatives?

Mr. ANDERSON. I do not know that I have thought it through, Mr. Fort, but it seems to me that the problem would be presented as is. In other words, we have something like 9 per cent of the cotton production in cooperatives to-day—I do not know exactly what it is. It would hardly be fair, I would think, to say to this cooperative which now represents 9 per cent or 2 per cent, or whatever it is, "We give you no assistance unless you organize the other 91 per cent."

Mr. FORT. No; that is not my point. If you have got 12 cotton cooperatives, as I believe you have, will you permit one of those 12 to come to the board with its program for a stabilization cooperation or otherwise, or would you say to the one, "You must come to us," or "We would like you to come in to us with a united program of all the 12."

Mr. ANDERSON. It seems to me it would be sensible procedure in a case of that kind for the board to look at it from the standpoint of the commodity and therefore it would naturally say to any individual cooperative that came to it in a case of that kind, "We have got to

consider your request in the light of the marketing of the commodity as a whole."

Mr. FORT. You have also said something about the balancing of production. The best way that can be handled is probably through the tariff, is it not; adjusting the tariff on the products where we now produce a deficiency?

Mr. ANDERSON. That certainly is a very large element in the equation.

Mr. FORT. It is hardly anything that this board or this committee can accomplish, is it?

Mr. ANDERSON. I think that is a matter for consideration of the whole structure of agricultural production, with the efforts to develop it along some definitely constructive line. I can not say what it is; I have not any idea.

Mr. FORT. You have spoken of the probability or the possibility that better results would be produced for agriculture by working out the joint control of 10 farmers under the most efficient rather than the present system. But is there not on all of that the other strong sociological reason for maintaining the 10 independent farmers, if we can?

Mr. ANDERSON. Of course we have considered, Mr. Fort, the independence of the farmers as the great strength of the agricultural community.

Mr. FORT. And more than that of the social and economic community.

Mr. ANDERSON. Of the social and political structure, and we will all be very reluctant to give it up. But my guess is that those social and political advantages will necessarily yield to economic development, whether we like it or not.

Mr. FORT. You agree we are justified in making every effort to retain them as long as possible, every effort that does not lead to chaos in the end?

Mr. ANDERSON. Every effort that does not result in reducing the economic status of the farmer. In other words, if the social independence and political independence have got to lead to his economic dependence, then I think we had better let the social and political independence go and do something for his economic independence.

Mr. FORT. You listed possible benefits of the stabilization corporation. I do not know that you did list, and I do not know whether you would list, but it has occurred to me for some time that one of the possible benefits of the stabilization corporation theory was to give to the farmer one of the things we are told, by the way, he now lacks, and that is equality of bargaining power, through consolidating his sales through a single fund.

Mr. ANDERSON. That is what I had in mind, Mr. Fort, when I talked about the control of the channels of distribution.

Mr. FORT. Yes.

Mr. ANDERSON. Surely, if you can combine the selling power of the farmers who now compete with each other through a single selling agency, you have by that degree strengthened his economic hand.

Mr. FORT. I have just one more question. You have spoken of the obligations of political platforms on the members of the committee. It is a fact, Mr. Anderson, is it not, that the platforms of both parties—and therefore binding upon our Democratic brethren as well as those of us at this end of the table—express an entire willingness to advance funds to stabilization corporations with nominal capital?

Mr. ANDERSON. With nominal capital?

Mr. FORT. Or with similar phraseology implying the same thing.

Mr. ANDERSON. Well, of course, in the case of the Republican platform at least, that is a question of the meaning of the words "farmer owned and farmer controlled." I have thought that that meant, ultimately at least, if not immediately, substantial farmer control.

Mr. FORT. Ultimately, yes; but I am speaking of now.

Mr. ANDERSON. The thing, it seems to me, that is to be avoided here is what it has been necessary to avoid all along; that is, that the board directly inject itself into the management of these corporations. The board, as I see it, sits up here and approves a general plan and says, "You can have the money," but the idea that the board is going to keep its hand constantly upon the management of these corporations, tell them when to sell and when to buy, and all the rest of those things, it seems to me, is fundamentally unsound.

Mr. FORT. I agree with you.

Mr. ANDERSON. But I am satisfied, so far as the cooperatives are concerned, they will never agree to that kind of proposition.

Mr. NELSON. I have just one question, Mr. Chairman. Do you believe that the allotment plan as proposed by Mr. Black, of Harvard, would succeed?

Mr. ANDERSON. I have not seen it. I only know of it as I have heard it stated. I think it is subject to the same difficulties that most of those plans are subject to, namely, that the administrative difficulties would overwhelm it.

Mr. NELSON. That is all, Mr. Chairman.

Mr. ANDRESEN. As I understand you, it is your hope that the farmer through his individual and cooperative effort, with some governmental aid, will eventually be placed in a position where he will have something to say about the price he gets for his products?

Mr. ANDERSON. Yes.

Mr. ANDRESEN. You referred to the various boards created by the Government, such as the Interstate Commerce Commission, the Tariff Commission, and other boards. We have found through experience, and I am sure that you are acquainted with it, that it takes a board ordinarily from one to three years to act upon a proposition submitted to it. A farm board of that kind would do no good for agriculture, would it?

Mr. ANDERSON. I would think it would do very little.

Mr. ANDRESEN. So we would have to have a board clothed, as you state, with unlimited and wide powers in order that they could act immediately and speedily upon any proposition submitted to it.

Mr. ANDERSON. I would not say unlimited, but I would say not too closely delimited powers. I would imagine that a board of that kind would probably be divided up, perhaps, into sections which could give more immediate and detailed consideration to the problems of

the various groups of commodities as they arise. That is a matter of organization.

Mr. ANDRESEN. Do you think the board should initiate action at the request of the advisory council?

Mr. ANDERSON. I feel, Mr. Andresen, that if the board gets into this question of initiating methods of doing these things, it is going to be in exactly the position we have all been in for these seven or eight years. We will have just as many schemes as we have members of the board. It would get along much better if it passes only upon practical business problems, as they may be presented, with the possible addition that where there is a problem of cooperative organization the board might be very helpful, it seems to me, in doing what the Department of Agriculture now does, at least to some extent, in advising them as to proper methods to be adopted in those organizations. Too many times we have started up cooperative organizations with a lot of enthusiasm and nothing else.

Mr. ANDRESEN. Do you believe there should be a fund for organization purposes similar to the one we have in the McNary-Haugen bill of $10,000,000 to organize cooperatives?

Mr. ANDERSON. I think, Mr. Andresen, that that is a question I can not answer. It involves solely a question of policy, not a question of economics, and I do not think I could tell the committee anything that would be of any advantage to it at all. It is a question which it seems to me is purely one of policy and involves no economics at all. In my own mind it is at least rather doubtful.

Mr. ANDRESEN. That is all.

Mr. ADKINS. Mr. Anderson, you speak about this board having very large general powers. Would it not be your idea that if some group producing a certain commodity, for instance broom corn, soy beans, or any other commodity, were to come along, this board should have power to suggest to them that they do certain things?

Mr. ANDERSON. No.

Mr. ADKINS. This board, with its large powers, would no doubt get information, and their first business would be as to whether the proposition presented to them was a real farm proposition, and whether they should lend money for that purpose.

Mr. ANDERSON. That is my view of it.

Mr. ADKINS. Let us see if we agree on another conception of it. Thus far I do not think there has been any large cooperative that was promoted for the purpose of controlling a sufficient amount of any commodity in the country to such an extent that it affected the market has ever lived 10 years. That is giving it a long time. I do not think any have lived longer than that. Thus far they have been failures. As a practical proposition, would it not seem as if this board would necessarily have to encourage or grant a loan to some properly organized cooperative without very much capital, or it would not do any business? In other words, let me put it this way: We have got commodity cooperatives—I have one in my district that has about $70,000 of depreciation reserve and surplus fund. They have been encouraging other local cooperatives to create such a fund so that they might take of this fund and invest in such a corporation as is proposed here. But such a large number of them have not done that.

We have a law in Illinois that permits the taking of the surplus for that purpose. It is not fair to presume that those fellows will undertake the burden of putting their money, whether it be the individuals' or the company's money, into a stabilization corporation and assume financial liability for taking over the burden of handling the commodity for the whole group engaged in producing that commodity. It is not presumed that they will do that. That being true, we do not know what your surplus control is going to do, whether it be under this plan or the equalization-fee plan. We might run into another situation where it would not work out the way we thought. It is an experiment anyhow.

Will not this board necessarily have to say first that here is a commodity group of cooperatives that wants to tackle the job and the Government will have to take most of the risk in undertaking to handle the surplus? Do you not think as a practical proposition that it would work out that way? Then if it succeeds, they will go on and put their money in it.

Mr. Anderson. I might recognize the fact that the possibility of substantial farmer contributions to capital is not as large as it ought to be or as it might be, and that the probable contribution in any event, certainly for a long period of time, will be relatively small compared to the amount of money which the Government will have to put in.

Mr. Adkins. In other words, the Government has spent money on other experiments which private enterprise did not want to tackle, and it necessarily will have to on this.

Mr. Clarke. Mr. Anderson, in addition to the readjustment of the tariff, I submit to you a map prepared by the Department of Agriculture showing the different farm commodities, including grain, cotton, tobacco, and so forth, that are taken into Government-supervised warehouses, and I ask you in consideration of the nation-wide scope of the application of the act, to these diversified agricultural products, whether you think that warehouse act has been a useful instrument for agriculture, and whether it could not be enlarged in a national program to be made even more effective?

Mr. Anderson. I think it has been a very valuable instrumentality, Mr. Clarke, particularly as to crops where, before you had Federal warehouses, you had practically no warehouse facilities, and your warehouse receipts were consequently not nearly as bankable as they are to-day.

Mr. Clarke. It is shown by the records that our loans on these agricultural commodities have been increased until they approximate $1,000,000,000. In addition to this program I ask you if you do not think that the research department of the Department of Agriculture could be augmented so that it could have larger authorizations and appropriations, to make another real contribution to agriculture.

Mr. Anderson. Without criticism of the Agricultural Department, either present or past, it seemed to me that the difficulty has not been so much that we have not had research upon these problems, as that we have not had any way to sell that research after we made it.

Mr. CLARKE. Here is the point, if I may interject at this point. The testimony before the Ways and Means Committee, for instance, as to a single agricultural product is this: American paper manufacturers came before the Ways and Means Committee and testified that the casein manufactured in the United States is inferior to the casein manufactured in the Argentine. That is just one item.

Mr. ANDERSON. Yes.

Mr. CLARKE. The first thing should be an investigation by the Agricultural Department to check up on the accuracy of that statement and then the bringing together of the American manufacturers and American users of the product, if it is not up to the standard, to find out how it can be made to conform to the standard, for the benefit of agriculture and the consumer as well. My thought is with regard to the enlarging of the research.

Mr. ANDERSON. My feeling about it is that the research program, as well as the extension program, of the department has been submerged by a great mass of regulatory activities.

Mr. CLARKE. I agree with you.

Mr. ANDERSON. And the public roads end of the proposition, to the extent that it is almost lost in the shuffle.

Mr. CLARKE. I agree with you fully. That is all.

Mr. HOPE. Mr. Anderson, there seems to be some difference of opinion among those who have appeared before the committee to-day as to just what effect upon prices a stabilization corporation might have. Mr. Gray, in his statement before the committee this morning, expressed the fear that while a stabilization corporation might tend to stabilize prices, there was just as much, if not more, likelihood that they would be stabilized at a lower level than our average prices now than at a higher level. Do you think there is such a danger as that?

Mr. ANDERSON. Not if the thing is successfully managed. Of course, as I said, Mr. Hope, I do not look at this stabilization corporation in the same light or conception apparently that some other people do. I see it rather as a service corporation, a means by which the producer will control the outlet and the distributive machinery for his commodity, and that through it he will make a profit out of the price fluctuations rather than that he will merely be benefited by a stabilization of the price level.

Mr. HOPE. If that is the thought, does not the corporation fail to carry out the object for which it was organized? We will have to assume, will we not, that very few of the large body of producers in the country will be stockholders in this corporation?

Mr. ANDERSON. I would hope that there would be a great many of them, because I would expect that if the thing were successful and made sufficient money, everybody would want to be in it. I do not think you will get them in if it does not.

Mr. HOPE. Your idea is that the individual farmer should get his profit out of it in the matter of return by way of dividends on his stock and his investment rather than through an increased price for his product?

Mr. ANDERSON. Both ways.

Mr. HOPE. But which would you think would be the predominating factor in the situation?

Mr. ANDERSON. I do not think it is possible to tell, Mr. Hope. As I said, the thing is experimental. Its principal value, as I see it, is as a basis for agricultural organization, getting the farmer into something in which he has a common stake.

Mr. HOPE. Is it your idea that we could start right off with a stabilization corporation which would handle a large per cent or all of the commodity?

Mr. ANDERSON. I do not think that is at all possible. I do not think it it quite necessary.

Mr. HOPE. Is not that the ultimate object to be sought, perhaps?

Mr. ANDERSON. You might have several agricultural corporations handling the same commodity. Those, it seems to me, are questions of method which of necessity will have to be worked out on the basis of experience. I am not a practical grain merchandiser. A practical grain merchandiser might give you an altogether different slant on the thing than I am able to give you. My idea about it is this, for example: The current price for wheat, let us say, now is probably somewhat affected and will be continuously affected from this point on by the prospects for the next crop. Now, suppose those prospects justify the belief that an increase in price will occur during the rest of the crop year, and discounting the next year's possibilities. If that occurs, the farmer now gets practically no benefit because his crop has passed into second hands, and if that crop or that portion of the crop were in the hands of a stabilization corporation he would get some advantage as a consequence of that price rise.

Mr. HOPE. How much further do you think a stabilization corporation could go toward stabilizing prices than they are stabilized now by our present system through the buying and selling of futures? Do we not, as a matter of fact, stabilize the market pretty much that way.

Mr. ANDERSON. Undoubtedly the future exchanges are a stabilizing factor sometimes. The exchanges themselves are stabilizing factors. But speculation sometimes is not a stabilizing factor. Sometimes it is.

One thing that would probably result from this situation is the fact that the stabilization corporation holding actual grain might be a stabilization factor as against short selling, for example.

Mr. HOPE. That is, a man who ordinarily might sell short would hesitate about doing it, knowing that this corporation held large stocks of grain.

Mr. ANDERSON. If they go out and buy large stocks of grain.

Mr. HOPE. And to that extent could increase the market.

Mr. ANDERSON. Yes.

Mr. HOPE. That might be a very considerable factor, might it not, in stabilizing?

Mr. ANDERSON. I think it might be.

Mr. HOPE. You spoke about the work which a farm board might do other than charter the stabilization corporations dealing with the actual marketing of farm products. Is not that work very largely being done by the Department of Agriculture at the present time?

Mr. ANDERSON. I do not think it is being done to anything like the extent that it could be done. I hesitate to answer the question,

because I do not want to put myself in a critical attitude. But it does seem to me that one of the difficulties has been that we have not been able to focus the Agricultural Department upon a general program. We have a lot of bureaus which are working down there upon the various phases, the various parts of agriculture, but we do not focus them upon the complete problem of getting a balanced, stabilized agriculture.

Mr. BRIGHAM. Mr. Anderson, are the mills in your association operated at full capacity at all times?

Mr. ANDERSON. As a whole, they are never operated at full capacity.

Mr. BRIGHAM. The reason for that is that the demand can not absorb the product?

Mr. ANDERSON. That is correct.

Mr. BRIGHAM. Then one function of your association is to adjust the production of your commodity to the demand for it?

Mr. ANDERSON. We do not do that except in this sense, that we keep our membership informed daily as to what the actual output is and what the actual sales are, and then we recapitulate that information from time to time so that the individual mill knows how his sales and output check up with the total production and output. But the adjustment that comes is a matter of individual judgment.

Mr. BRIGHAM. But such adjustment does take place as a result of your information?

Mr. ANDERSON. To some extent; yes.

Mr. BRIGHAM. Do you not think that the farm board might perform a useful function for agriculture by doing just that thing for agriculture?

Mr. ANDERSON. I think there is an infinite amount of information and knowledge about agricultural movements which we do not have and that we could very properly get and that could be very properly disseminated.

Mr. BRIGHAM. You spoke about some of the work of the Department of Agriculture not being "sold" to the farmers. I believe that is the way you expressed it. Could not the farm board act as a sort of loud speaker for some of the information, particularly economic information, resulting from the research work of the Department of Agriculture?

Mr. ANDERSON. Perhaps so. I think, Mr. Brigham, that one of the toughest propositions in the farm board idea is just what the relations of the farm board to the Department of Agriculture are going to be.

Mr. BRIGHAM. Should not it utilize the bureaus of the Department of Agriculture, such, for instance, as the Bureau of Agricultural Economics, which is doing a lot of fine work?

Mr. ANDERSON. Undoubtedly so.

Mr. BRIGHAM. Should it not utilize that economic service and strengthen it, if need be, in the formulation of an agricultural program?

Mr. ANDERSON. I think so, absolutely.

Mr. BRIGHAM. And the formulation of a production program that would contemplate the adjustment of production to the demand?

Mr. ANDERSON. I think it could help tremendously in that direction.

Mr. BRIGHAM. For instance, the Department of Agriculture has warned the farmers that a certain acreage in potatoes would produce the required amount, and I think it was effective for two or three years. During this last season the acreage was greatly extended, I think about 14 per cent, with the result that we had a greatly increased production, about 60,000,000 bushels more than we could consume.

Is there any way to remove the economic penalty of overproducing a crop like potatoes, which can not be exported? There is no export market, and there is very little opportunity to make them up into by-products. Is there any way that the farm board can remove the economic penalty in the way of low price that comes as a result of overproduction?

Mr. ANDERSON. I do not know anything about potatoes, or at least I do not know enough about potatoes to give you anything like an authoritative answer to your question.

But one difficulty in this situation all along the line is that the farmer does a lot of gambling on the price. What I mean by that is this: If you have a high wheat price or a high potato price the farmer plants a lot of wheat and a lot of potatoes. If we could get over to the farmer the idea that what he is running is a manufacturing establishment upon which he ought to expect to get an average return over a period of years, so that he could get his acreage on a normal basis, it is possible that that would tend to remove to some extent the price fluctuations which we now have. It is the shift in acreage from one product to another which tends oftentimes to accentuate these fluctuations.

Mr. BRIGHAM. As a general economic proposition, do you think it is desirable to employ more labor in producing agricultural commodities than is necessary to supply the people of this country with enough for food and raw materials for clothing, with such exports as it is advantageous to raise?

Mr. ANDERSON. As a general economic proposition, Mr. Brigham, I do not think it is wise for us to produce something for a market that does not exist.

Mr. BRIGHAM. Your mills do not do that thing?

Mr. ANDERSON. We do sometimes, but we try not to.

Mr. BRIGHAM. And when you do that, you suffer for it?

Mr. ANDERSON. We do. One of the things which is along the line you are suggesting is this: I get out in February of every year a forecast of the production for the remainder of the year, a forecast of the percentage of operation, and also the total sales, and the percentage of operation that those total sales mean for the rest of the year. So a mill going out to sell flour to-day knows just about what proportion of its capacity it can expect to sell, on the average, during this half of the crop year. That is the kind of service, it seems to me, which could be developed in connection with some of these agricultural crops.

Mr. BRIGHAM. Would that not really be as beneficial to agriculture as a stabilization corporation, if that advice was heeded by the farmers of the country?

Mr. ANDERSON. You put it in relative terms to which I do not want to commit myself. But I think it would be a valuable service.

The CHAIRMAN. We thank you very much, Mr. Anderson.

I will ask the clerk to read a telegram that I have received from the Secretary of Agriculture.

(The clerk read the telegram referred to, as follows:)

TRENTON, MO., *March 26, 1929.*

Hon. GILBERT N. HAUGEN,
Chairman House Committee on Agriculture:

I regret that I shall not be in Washington at the opening session of your committee. Faced with the necessity of an extended absence from home, I have taken a few days to make some necessary business adjustments here. Am expecting to return to Washington around the 1st of April. If desired by your committee I shall be glad to appear and to put at your disposal any and all data in the possession of the Department of Agriculture.

ARTHUR M. HYDE.

The CHAIRMAN. What reply shall I send?

Mr. PURNELL. I move that the telegram be acknowledged and that the secretary be invited to appear before the committee following the date of his return, at his convenience, before the conclusion of the hearings.

Mr. WILLIAMS. I think we ought to indicate to the secretary when we hope to close the hearings. He says he will be here around the 1st of April. Why had we not better say to him that the committee hopes to close the hearings by the 3d of April?

The CHAIRMAN. Very well, I will do that.

(The motion of Mr. Purnell was agreed to.)

Mr. FORT. Mr. Chairman, we are having some important hearings and are getting some very important testimony from these witnesses. I feel that we ought to have some arrangement for getting an early revision of the transcript of this testimony. In the past we have given the witnesses almost an unlimited time in which to revise what they have said, and it has taken us sometimes two or three weeks before we have had in our own hands a printed copy of the testimony. We are going to sit here all day and members are going to be coming in and out, being called away at times, when they will miss hearing some very valuable information. I think we ought to have the matter so adjusted that the revised transcript is in our hands, either in typewritten or some other form, within 24 hours after it is delivered.

Therefore I move that if any member of the committee has not called at the office of the committee to revise his testimony within 24 hours, he shall forego that right, and that the testimony shall then go to the printer.

(The motion was agreed to.)

Mr. KETCHAM. Mr. Chairman, there are two or three people who would like to come as witnesses, but who are awaiting word as to what the policy of the committee is to be with reference to these matters that are somewhat incidental to the general program. I mean people who are particularly interested in identical bills. I take it that there is not much question as to what the attitude of the committee is, and that in a general way we intend to confine our